

**Department of Administration
Impact Statements in Response to the
FY2003 Final Legislative Budget**

Date: June 10, 2002

Prepared by: Dan Spencer, Director of Administrative Services

The FY2003 operating budget passed by the legislature is \$6,228,700 less than the Governor's amended request. The following description of impacts addresses the most significant program impacts; it does not discuss all programs impacted by legislative reductions.

Program:	Dollar	Fund
Division of Finance	Amount(s):	Source(s):
	(\$293,500)	General Fund

Impact Title: Reduce payroll system software maintenance, increasing the risk of system failure

Impact Analysis:

This budget cuts \$225,600 requested to add three new payroll system programmers and eliminates \$67,900 to be used for unavoidable cost increases from statewide labor contracts. These reductions put the statewide payroll system at risk.

The state's payroll system, AKPAY, is 12 years old and requires increased maintenance effort to keep it operational. Existing programming staff are making software upgrades required for continued vendor support of the current version of this critical software product, as well as addressing a backlog of system modifications to deal with everyday payroll issues.

The AKPAY software vendor has indicated that future maintenance releases will no longer support our existing underlying database management system (ADABAS). Before the next major maintenance update in FY2003/2004, we must convert the AKPAY database to DB2. This is a very large project and is more than existing staff can handle. Without additional programmers, the probability of system failure is greatly increased.

The payroll system supports every activity of the State of Alaska. Its importance is reflected in two of the division's performance measures: system down time and amount of penalty pay. In the case of system failure, both of these measures will increase significantly.

Program:	Dollar	Fund
Alaska Public Offices Commission	Amount(s):	Source(s):
	(\$204,300)	General Fund

Impact Title: Reduce timely campaign finance information for the public and assistance to campaigns on compliance with campaign disclosure laws

Impact Analysis:

The Conference Committee's budget eliminates funding (\$186,300) for election year activity and implementation of campaign disclosure law changes passed by the legislature as an override of the Governor's veto of SB103 and HB177. In addition, the proposed FY2003 budget anticipated the upgrade of a part-time position in the Juneau office to full-time. The combined impact may force the Commission to eliminate the position altogether.

The consequences of the legislature's failure to fund the proposed budget jeopardizes the Commission's ability to timely disseminate information to the public. Campaign finance information is required by law to be provided to the Commission before the election but will most likely not be available until after the election has occurred. Without funding for printing, training, and support staff, the Commission will be unable to assist candidates and political groups to understand the changes to the campaign disclosure laws, which will likely result in costly complaints and substantial non-compliance.

Program:	Dollar	Fund
Alaska Public Defender Agency	Amount(s):	Source(s):
	(\$2,626,900)	General Fund
	(\$ 4,500)	GF/Prog Receipts
	(\$ 2,900)	GF/Mental Health

Impact Title: Eliminate the Public Defender's ability to meet constitutional and statutory responsibilities

Impact Analysis:

The right to counsel as provided by the Alaska Public Defender Agency is guaranteed by the United States Constitution (Amendment VI), the Alaska Constitution (Article 1, Section 11) and Alaska Statutes (AS 18.85.010-180). The right to counsel means the right to effective assistance of counsel. A legislative audit concluded that as of April 1998 the Public Defender agency was 41 attorney positions short to handle its caseload. Caseloads have continued to grow since that time, without a corresponding increase in staff.

The Public Defender Agency not only represents indigent defendants in criminal cases, but provides for representation in appeals of criminal convictions, represents parents in

cases involving the termination of parental rights, appears on behalf of clients at parole board hearings, and represents individuals threatened with the loss of personal freedoms in mental capacity hearings.

This agency cannot abdicate its constitutional and ethical responsibilities without jeopardizing the entire criminal justice system. As a result of recently passed legislation increasing penalties and creating new crimes, the caseload of the Public Defender Agency is continuing to grow. The underfunding of the Public Defender Agency in FY2002 requires a supplemental appropriation of over \$500,000. The budget for FY2003 will require a supplemental appropriation of approximately \$1.0 million just to maintain the status quo, without making any of the improvements to streamline operations and provide better counsel as recommended in the legislative audit and proposed in the Governor's FY2003 budget.

Program:	Dollar Amount(s):	Fund Source(s):
Office of Public Advocacy	(\$2,271,100)	General Fund
	(\$ 20,700)	GF/Mental Health

Impact Title: Eliminate funding for contracted attorney services

Impact Analysis:

This eliminates funding for the Office of Public Advocacy to promptly compensate contract attorneys for their services in both civil and criminal representation of clients.

The Office of Public Advocacy provides representation of criminal clients where the Public Defender Agency has a conflict, represents the interests of a child in children-in-need-of-aid cases, represents parents in termination of parental rights cases where the interests of the two parents are not the same and the Public Defender Agency represents the other party, and provides guardianship services to individuals who are not competent to manage their own affairs. All of these cases are predicated upon court orders of appointment directing the agency to provide services. There is absolutely no provision in the law for the Office of Public Advocacy to refuse to take cases, or refuse to provide services once appointed by the court.

State employees are the cheapest method of providing representation in these areas. The Office of Public Advocacy hires contractors to provide these services where the caseload is insufficient to warrant a full-time state employee, or to supplement staffing where the caseload is uneven. Contractors are obtained through a competitive procurement process, or are appointed directly by the Court. Attorneys accept contracts at rates much less than their billable hourly rate because the Office of Public Advocacy has a history of prompt payment. Should the Office of Public Advocacy have to force contractors to wait several months for payment until a supplemental budget is approved, fewer attorneys will be willing to provide services and/or prices will increase substantially.

The Office of Public Advocacy has a supplemental request for FY2002 in excess of \$2.2 million dollars. Funding requested for FY2003 was to bring the FY2003 appropriation up to a level which would cover the expenses being experienced in the current year and recognize some growth in caseload based upon the trend over the past several years.

The FY2003 budget will require a supplemental for FY2003 of at least \$2.2 million.

Department of Community and Economic Development
Impact Statements in Response to the
Final FY03 Budget
Date: June 26, 2002
Prepared by: Tom Lawson, Director
Division of Administrative Services

The final budget reduces the Department of Community and Economic Development's general fund request by \$2,845,100 from the Governor's amended budget request.

The final budget for the Department of Community and Economic Development (DCED) includes an unallocated reduction of \$313,000. This is \$128,200 more than the general fund year three labor costs. The labor cost reductions have been allocated to DCED divisions and offices where the FY03 operating budget general fund increments were incurred.

Program:	Dollar Amount(s):	Fund Source(s):
Power Cost Equalization Program	(\$3,093,400)	General Fund

Impact Title: Reduce Power Cost Equalization

Impact Analysis:

The governor requested \$12,799,700 from the Power Cost Equalization Endowment and \$2,034,00 in general funds to operate the PCE program. The \$14,833,700, with an estimated year-end balance, would maintain the program at the FY02 funding level of \$15.7 million. The Capital Budget appropriated \$12,799,700 from the PCE Endowment and \$2,122,900 from the Commercial Fishing Revolving Loan Fund (CFRLF) to operate the PCE program. The capital budget appropriation together with an updated PCE year-end balance, funds the PCE program at \$15.7 million for FY03.

The CFRLF provides long-term, low interest loans to promote the development of predominantly resident fisheries, and continued maintenance of commercial fishing vessels and gear for the purpose of improving the quality of Alaska seafood products. While there is sufficient funds available within the CFRLF, the PCE Program clearly doesn't meet the stated purpose of the CFRLF. Currently, the only appropriations from the CFRLF are to the Division of Investments for loans and administrative costs, and to the Department of Environmental Conservation's seafood inspection program.

At the \$15.7 million level, the program will be pro rated to 85% for FY03, and PCE customers will pay an average rate of 21.85 cents/kilowatt hour (kWh) for

electricity after applying the PCE credit. The governor proposed an additional \$3,093,400 to fund the program at 100% of the statutory formula level at which customers would pay an average of 18.67 cents/kWh, compared to the average Anchorage, Fairbanks and Juneau rate of 9.9 cents/kWh.

PCE was established to provide relief in parts of the state where the development of major electrical production and distribution projects is not financially feasible. Communities in areas that are not served by roads experience very high costs of producing electricity, usually by diesel, due to high transportation costs and limited economies of scale. These costs must be recovered from a small customer base possessing limited disposable income. Power Cost Equalization is a core element to ensure the financial viability of centralized power production in rural communities.

Program:	Dollar Amount:	Fund Source:
Alaska Science and Technology Foundation	(\$2,315,000)	ASTF Endowment

Impact Title: Reduced future earnings for technology based economic development and partner programs

Impact Analysis:

The final budget includes \$2,315,000 of Alaska Science and Technology Foundation (ASTF) Endowment funds in the FY03 University of Alaska budget.

Earnings from ASTF's \$101,204,000 endowment have historically averaged about 8% or \$8 M to cover the ASTF matching grant program, operating budget, and legislative set asides of ASTF earnings. Because of net realized capital losses in the first 9 months of FY02, the endowment has earned less than 1%. To better manage budgets, the ASTF Board recently adopted a bylaw that guides ASTF spending to the lesser of 5% value of the portfolio or earnings available.

If the portfolio earns 1% in FY 03 then the proposed reduced endowment will produce \$23,000 less in earnings, at 5% \$116,000 less, at 8% \$185,000 less each year. Since most ASTF funded projects match ASTF one-to-one, the amount of project funds lost can be roughly doubled. All of ASTF's partner organizations -- the Alaska Manufacturers Association that does lumber and salmon grading, Alaska InvestNet for entrepreneur education and investment, and the Alaska High Tech Business Council which works with employers and educators on training information tech workers -- now receive federal funds so some federal matching funds will be lost. Every dollar in reduced earnings flowing from a reduced endowment will reduce funding to new projects and/or ongoing partner activities.

Since ASTF was established by the legislature in 1988 no funds have been appropriated from the principal of the endowment. More than the earnings shortfall, the ASTF Board is worried about the precedent of appropriating an endowment established for technology-based economic development.

The latest data show that Alaska has about half the national average of technology jobs but the growth rate is almost three times faster than average. Continued inability to fund startup technology-based ventures and group R&D projects with industry and others should impact technology jobs and the competitiveness of base firms in ways that will be clear but hard to definitively measure or predict in advance.

Program:	Dollar	Fund
Division of International Trade & Market Development	Amount(s):	Source(s):
	(\$34,300)	General Funds

Impact Title: Unallocated Reductions

Impact Analysis:

The final budget includes an unallocated reduction equal to the general fund year three labor costs and an unallocated travel reduction.

These reductions decrease the division's ability to promote the export of Alaska's goods and services through trade shows, trade missions, seminars and other "door-opening" activities that lead to expanded business for Alaska companies. Particularly hard hit will be the division's ability to conduct promotions at venues such as hotels, department stores and supermarkets overseas on behalf of Alaska value-added product makers including food and beverages, gifts and other goods. Also, the division's ability to promote professional and technical services overseas on behalf of Alaska firms will suffer as a result of the budget reduction.

Program:	Dollar	Fund
Alaska Economic Information System	Amount(s):	Source(s):
	(\$275,000)	General Fund
	4 positions	

Impact Title: Deny Increment for Alaska Economic Information System

Impact Analysis:

The final budget did not include the increment to fund the Alaska Economic Information System (AEIS) which brings together a vast array of state, federal and private data about the state's economy, resources and communities. The

AEIS is a state of the art digital information system that users can directly access and use for business and community planning. So far, the AEIS has been extremely well received by policy makers, local community planners, business leaders, academics and agency managers – primarily because there has been an unfilled demand for many years. The tradeoffs associated with the loss of the AEIS increment are as follows:

- The existing AEIS was accomplished by postponing a number of ongoing sector development programs including minerals fieldwork associated with the annual minerals report, tourism planning at the community level, the SEATRAILS program, the annual seafood industry report, promoting new timber processing in Alaska, and status reports on rural energy. Commitment to maintaining and improving the AEIS is compromised by the other, necessary work of the Division that has been deferred during this project, work that must also be accomplished.
- The AEIS sector reports for oil and gas, mining, tourism, seafood processing, timber, and agriculture will not be updated, leaving potential investors in Alaska with information that is 3-5 years old. Only the Labor Department's economics information on earnings and employment, adults not in the work place, per capita income, population, net migration and poverty will be updated.
- Current economic trends are largely based on only a small part of the economic picture: wages and salary reported employment. Efforts to estimate commercial fishing employment and non-resident tourism are crude and nothing has been done to provide broader information on overall business flows in and out of Alaska. The AEIS increment would start to address these critical issues by working with organizations such as ADF&G, DOL&WD and ISER.
- Ironically, it is difficult to gather information on Alaska's two growth industries, tourism and mining. Moreover, tourism and seafood processing are the two leading sectors, but both are facing critical short-term and long-term challenges. The AEIS increment would provide more up-to-date information for these sectors.
- Alaska must compete in a global market, including our digital information base. All states are developing new web sites to better attract new businesses. Having a competitive information system for Alaska is more of a defensive requirement than an offensive option.

Program:	Dollar Amount(s):	Fund Source(s):
Community and Business Development	(\$9,300)	General Fund/Match
	(\$102,200)	General Fund

(\$1,600)

General
Fund/Program
Receipts

Impact Title: Lack of Funding for Year 3 Contract Labor Costs Costs and Unallocated Travel Reduction

Impact Analysis:

The final budget includes an unallocated reduction equal to the general fund year three labor costs and an unallocated travel reduction. These reductions would result in the elimination of the Deputy Director position and associated support funding. Historically, this position has been staffed by a person with a strong background in the Tourism industry. As a result, loss of the position will reduce the division's capacity to provide assistance in that sector of the economy. Work with other tourism agencies and private groups will be reduced. Staff who currently work with communities and private sector developers will have to pick up some of the duties of this position, particularly data gathering and analysis. This change will reduce, by approximately 30%, the division's ability to provide direct assistance to residents of localities interested in developing tourism opportunities.

Program:
Rural Energy Programs
Circuit Rider

**Dollar
Amount(s):**
(\$99,300)

**Fund
Source(s):**
General Fund

Impact Title: Unallocated General Fund reduction to Rural Energy Programs

Impact Analysis:

The final budget includes an unallocated reduction of \$99,300. The Rural Energy Programs BRU has \$489,700 in General Funds for FY02. \$289,700 is in the Energy Operations component and \$200,000 in the Circuit Rider component.

The \$99,300 unallocated reduction would be applied to the Circuit Rider component. The Circuit Rider component offers preventative maintenance to rural electric systems, on-site training to operators, and limited emergency response. Alaska Energy Authority (AEA) contracts with private sector firms to provide these services.

This reduction will require AEA to scale back the Circuit Rider program to a minimal preventative maintenance schedule. The on-site training will be discontinued and emergency response will be only available from the limited funds of the electrical emergencies program. In the long run, this cut is not cost-effective.

Program:	Dollar Amount(s):	Fund Source(s):
Division of International Trade & Market Development	(\$90,000)	General Funds

Impact Title: Deny Increment for Trade Representation in China

Impact Analysis:

The final budget denies the increment for new contract trade representation in China, which would help open up opportunities for Alaska's companies and economy. China, with one of the world's fastest growing economies (GDP increase of 8-9% this year), is an opportunity for Alaska to grow and diversify from our traditional markets.

Alaska's export community benefited from the state's early entry into Japan and Korea. When we established representation in Japan in 1965, Alaska exported \$30 million there – now it's \$1 billion. When we established representation in Korea in 1985, we exported \$80 million – now it's \$450 million. While the state's trade representation was not the only reason for these successes, it was an important factor. Analysis by the division and the private sector indicates there are opportunities for Alaska in China now. Alaska's exports to China are currently \$100 million annually – and now is the bottom of the curve.

Having representation in China will help Alaska firms realize this potential. The need is particularly acute for the forest products industry, whose companies have requested the division establish trade representation in China. China has sent a number of high level business and government delegations to Alaska during the past two years, all of whom say they look toward Alaska's natural resources to play an important role as that country continues to grow.

Program:	Dollar Amount(s):	Fund Source(s):
Assistant State Assessor	(\$75,000) 1 position	General Fund

Impact Title: Deny Increment for Assistant State Assessor

Impact Analysis:

The final budget did not include the increment to fund an Assistant State Assessor position. This means that the State Assessor will be unable to review all municipalities' valuation processes on a detailed basis. Now the assessor can select only several to do each year, resulting in some municipalities' valuations being inaccurate. Since the Full and True Value Determination is used as a

measure of a community's wealth for school funding purposes, inappropriate disparities will exist between communities.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Regional Development Organizations Program	(\$60,000)	Interagency Receipts

Impact Title: Reduce ARDOR Grants

Impact Analysis:

The final budget deleted \$60,000 from the Division of Community and Business Development's (CBD) FY03 budget for the ARDOR program. The ARDOR program provides grants to regional non-profit development organizations to address regional development issues and opportunities. This decrement amounts to 10% of the ARDOR program budget and is expected to result in less funding available to each ARDOR, including several rural ARDORs.

ARDORs must provide a match to receive ARDOR grant funds (sliding scale from 33% to 100%). The resulting total revenues vary widely among the ARDORs. Three rural ARDORs historically have had problems securing the required match. One ARDOR was decertified in FY02 in part because they were not able to meet the match requirement. Six ARDORs have one employee; five other ARDORs have less than three employees.

ARDORs use the grant funds to accomplish goals outlined in the regional strategies. These goals range from small business development, providing economic information to communities in the region, hosting training and conferences, to coordinating local, State, and federal activities for the region. Because of the size of the regions and lack of technology in many parts of the State, on-site visits are critical to a functional ARDOR. The ARDOR grant doesn't cover the cost of staff and contributes nothing to travel costs.

A 10% reduction in the grant funding level may impact the staffing levels of the ARDORs, and the efforts of the ARDORs to reach their constituents and effectively build the economies of their regions.

Program:	Dollar Amount(s):	Fund Source(s):
Division of Administrative Services	(\$46,600)	General Funds

Impact Title: Lack of Funding for Year 3 Contract Labor Costs and Unallocated Travel Reduction

Impact Analysis:

The final budget includes an unallocated reduction equal to the general fund year three labor costs and an unallocated travel reduction.

In order to maintain the existing level of service of the department's various administrative functions the division would spread the unallocated reduction of \$41,700 among divisions in an unbudgeted cost allocation. This action would most likely cause additional financial distress among DCED divisions and agencies by increasing the unallocated reduction to those entities already being reduced.

Program:	Dollar	Fund
Occupational Licensing	Amount(s):	Source(s):
	(10,300)	General
		Fund/Program
		Receipts

Impact Title: Lack of Funding for Year 3 Contract Labor Costs

Impact Analysis:

The final budget includes an unallocated reduction equal to the general fund program receipts year three labor costs. With the Business License funding source change, this reduction would reduce the Division of Occupational Licensing's GF/PR authorization to zero.

The final budget results in the elimination of funding and expenditure authority for the only remaining GF/PR occupational licensing program, the Athletic Commission, which regulates boxers (AS 05.05; 05.10). The Athletic Commission cost \$10,300 in FY01 GF/PR expenses, while generating only \$2,200 in GF/PR revenue. Due to the elimination of funding, the division will no longer administer this program.

**Department Of Corrections
Impact Statements in Response to
FY2003 Final Legislative Budget
Date: May 29, 2002
Prepared by: Dwayne B. Peeples**

The Conference Committee budget reduces the Department of Correction's budget request by \$2,952,900 from the Governor's amended budget request.

Program:	Dollar Amount(s):	Fund Source(s):
Inmate Health Care	\$1,417,300	General Funds

Impact Title: Short-fund Inmate Health Care Operations.

Impact Analysis:

The Department is required to provide medical, dental, and mental health services as necessary to ensure the continued health of the prisoners. During the last few years, additional financial resources, via supplemental and revised programs, have been required to provide necessary and critical services. The proposed budget reductions will significantly impact the operations of health care services and will result in an elimination of nursing staff and other important health care services, which may, threaten prisoner health and safety.

Program:	Dollar Amount(s):	Fund Source(s):
Community Jails	\$400,000	General Funds

Impact Title: Short-Fund Local Community Jail Operations.

Impact Analysis:

The State pays 15 local governments for days when state prisoners are held in the Community Jails. Up until FY01, all 15 contracts had been maintained for 6 years at the same budget level, despite a 14.2% consumer price increase during the same period. In FY02, a 2.8% increment was provided by the Legislature to address some of the infrastructure needs at the 15 sites, especially the four Tier III sites that were at or above capacity on a regular basis. The conference committee budget cuts a \$400,000 increment that was requested to address other critical local jail facility infrastructure needs. The Community Jails program provides 55,845 man-days of incarceration capability for the state prisoners pending arraignment, commitment by a court, for admission to a State correctional facility. Use of the local jail facilities includes pre-

arraignment, post-arraignment, and holding sentenced prisoners up to 30 days. Inmates are often from the local community and present minimal security risks. Due to the legal process in the local Superior Court and the difficulty of prisoner transport in Alaska, it is not practical, nor is it desirable, to immediately transport these State prisoners to a State correctional facility.

Program:	Dollar Amount(s):	Fund Source(s):
Inmate Program	\$879,600	General Funds

Impact Title: Cut Treatment and Reformation Programming for Inmates.

Impact Analysis:

Full funding was not provided for a new program to assist children of incarcerated parents. These children are frequently exposed to situations and behaviors prior to, during and after their parents' incarceration, which put them at great risk of child abuse and neglect as well as compromising their health. The Agency also requested funding for a new program to assist incarcerated parents who have children, with employment, housing, health care, substance abuse programs, and parent-child counseling during their incarceration that will help them overcome additional obstacles upon release.

The Agency requested \$500,000 to implement the Dual Diagnosis Probationers and Parolees with Children Program. This would have created specialized caseloads for dual-diagnosed offenders (men and women with both mental illness and alcohol/drug abuse) with children to facilitate family reunification and stability. Problems of trauma, self esteem, thinking errors related to cognitive development and parenting are interrelated with mental illness and substance abuse. Treatment and development of community support would help offenders to care for themselves and their children, to live drug-free, and to maintain psychological as well as residential and employment stability. Currently, the dual-diagnosis population including the felony DWI population, is the fastest growing group of probation/parole offenders. The Agency will be unable to hire additional Probation Officers to reduce already high caseloads and create specialized caseloads for these dual diagnosis probationers and parolees with children.

Program:	Dollar Amount(s):	Fund Source(s):
Parole Board	\$100,000	General Funds

Impact Title: Short-fund Parole Board Operations.

Impact Analysis:

These funds are needed to accommodate increased prisoner hearings and Parole Board activity relating to mandatory, discretionary and special medical parole releases and revocations. A considerable increase in numbers of hearings and parole activity has matched the growth in prison population that has occurred in the past five years, and expenditures incurred in meeting the Board's statutory obligations have increased as a result. These funds are needed to cover Parole Board member/staff travel and Board members compensated time associated with the conduct of parole activity statewide.

Program:	Dollar Amount(s):	Fund Source(s):
Administration and Operations BRU	\$ 156,000	General Funds

Impact Title: Cut Funds Requested for Increased Fuel Costs at Institutions.

Impact Analysis:

Fuel costs at institutions across the state have increased. The correctional facilities will have to cover these costs from existing financial resources. This reduction will force the Agency to hold at least 3 additional correctional officers vacant. This is in addition to 45 correctional officer, 7 adult probation officer, 1 correctional industry manager, and 3 administrative support positions being held vacant to meet existing base level personal services under-funding. Higher levels of overtime throughout the system will be necessary to maintain requisite security coverage, therefore contributing to higher stress levels and declining morale at overcrowded correctional facilities. Funding was also not provided for Volunteers in-Service to America volunteer, who would work in the Victims Unit and would support efforts of the agency to train, recruit, and coordinate community victim volunteers.

Department Education and Early Development
Impact Statements in Response to
Final FY2003 Budget
Date: June 6, 2002
Prepared by: Karen Rehfeld

The Conference Committee budget for the Department of Education & Early Development cuts \$4,978,400 in state general funds from the Governor's amended FY2003 operating budget request.

The legislature also included \$23.3 million for learning opportunity grants to school districts outside the public school funding formula. Although the Department supports the addition of approximately \$10,968,900 for school districts above the current \$12,372,000, the addition to Learning Opportunity Grants (LOGS) does not use the adjusted average daily membership formula which is in statute for both the foundation formula and quality schools grants. As a result, the additional funds do not take into account the higher costs and lack of economies of scale for smaller districts. Also, since LOGS are not a permanent part of the statutory education aid, school districts cannot count on receiving them from year to year. Funding through the public school funding program would ensure these funds would be available on an annual basis and allow districts to plan for and deliver effective instructional programs.

Additional operating budget changes were made in the final moments of the special session. The legislature included an additional \$6,000,000 for public schools to be allocated outside of the formula but utilizing the adjusted average daily membership calculation. While this funding will be helpful to district for educational programs and services, they are one-time revenues that will not be available on an annual basis. The governor proposed statutory changes to increase the base student allocation within the public school funding formula so that increased funding would be available annually to allow districts to plan for and deliver effective instructional programs.

Also, in the special session, \$1,340,923 was included for grants to school districts that are projected to lose funding in FY2003 due to the erosion of the funding floor in the public school foundation program. The governor proposed legislation to suspend that eroding floor provision for one year pending the results of the study of district cost factors and possible changes to the funding formula to more accurately reflect the cost of providing educational services in all areas of the state. While this legislation did not pass, the inclusion of this funding for grants to the impacted districts will help to mitigate the impact of the eroding floor.

The legislature also included \$150,000 for a regional learning center pilot program between the Nome and Bering Strait School Districts. Legislation proposed to implement the pilot project (HB 239) did not pass the legislature. However, this funding is included, on a one-time basis for the pilot project. While the appropriation extends

through the fiscal year ending June 30, 2006 (FY2006), it does not provide \$150,000 on an annual basis, which could impact the viability of the pilot project.

Program:	Dollar	Fund
Quality Schools - Statewide Assessment	Amount(s):	Source(s):
	(\$340,600)	General Fund

Impact Title: Short fund implementation of High School Exit Exam

Impact Analysis:

The Conference Committee does not fully fund the contract with CTB McGraw/Hill for ongoing development and implementation of the High School Graduation Qualifying Exam (HSGQE). State law, AS 14.03.075, requires that students, beginning with the Class of 2004, pass all three parts of the exam in reading, writing, and math, in order to receive a high school diploma. Changes in the focus of the exam and the requirements have resulted in increasing costs with the test contractor. In addition, the legislature has implemented performance measures for the department directly related to student performance on the High School Graduation Qualifying Exam.

The department needs \$770,000 for these contractual costs in FY2003. The high stakes nature of the HSGQE adds to the cost of developing and implementing the test for security reasons and to have different versions of the test available on a rotational basis. With the demand for student testing on a national basis and the limited capacity of testing companies to meet this demand, these costs will continue to increase. As a small state, Alaska will always have an economy of scale issue and testing a small number of students will be expensive.

The Conference Committee's reduction of this funding will have a serious impact on the state's ability to implement the statutory testing requirements and provide the data necessary to meet the performance measures established by the legislature.

Program:	Dollar	Fund
Quality Schools – Data Collection	Amount(s):	Source(s):
	(\$730,000)	General Fund

Impact Title: Short fund school accountability system

Impact Analysis:

The Conference Committee does not fund the Education Funding Task Force recommendation to expand the state's capacity to collect, analyze, and report educational data that is critical to the state's school accountability system. Alaska statutes 14.03.120-.123 specifically require reporting of data and a designation of school performance based on the data collected and reported. While the statutory accountability requirements have continued to increase, the department's capacity has

been diminished over time, due in large part to the erosion of general funds through unallocated cuts.

A consolidated data collection system and the personnel to use it effectively are critical to the school accountability system. We have access to a tremendous volume of data on students, teachers, and schools but without the resources to capture, store, analyze, and report the information, local and state policy makers will not be able to utilize this data in their decision-making. The ability to utilize meaningful data will significantly improve our educational system.

Program:	Dollar Amount(s):	Fund Source(s):
Head Start Grants	(\$500,000)	General Fund

Impact Title: Deny additional general funds for Head Start grants

Impact Analysis:

The Conference Committee does not fund a requested increase of \$500,000 in additional state funds that will strengthen existing programs, expand services to additional children and families, and assist programs in meeting federal Head Start program performance requirements.

Currently, Head Start programs are only able to serve approximately 23% of eligible children and families. This reduction from the governor's budget will limit the ability of smaller community programs to leverage additional federal expansion funds, and efforts to increase the percentage of eligible children served by Head Start programs.

Program:	Dollar Amount(s):	Fund Source(s):
Child Care Assistance & Licensing	(\$350,000)	General Fund
Head Start Grants	\$350,000	General Fund

Impact Title: Replace one-time Head Start grants with childcare funds

Impact Analysis:

The Conference Committee transfers \$350,000 in general fund from the Child Care program to replace one-time funding for Head Start in order to retain the current year funding level in FY2003. While supportive of continuing the current year level of funding for Head Start, this approach creates negative impacts on childcare programs.

The transfer of child care funds, when combined with the \$125,000 personal services and travel reduction and absorbing the year 3 labor costs, creates a large general fund reduction for child care in FY2003. The federal Child Care Development Funds (CCDF) cannot be used to supplant state funds. Changes in the federal CCDF program

requirements and grant amounts will redirect federal program funds to specific areas such as after school care, but may have a negative impact on the amount of federal funds available for the childcare subsidy program.

Program:	Dollar	Fund
Child Care Assistance & Licensing	Amount(s):	Source(s):
	(\$125,000)	General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee reduces staff and travel, which is compounded by the lack of funding for year 3 labor costs. Positions be left vacant or eliminated in order absorb the negotiated increases. Insufficient staffing levels will result in delays in programs and services.

The reduction in this component will directly impact the department's ability to enforce licensing regulations that have been adopted for childcare facilities. On-site reviews are a critical element to ensure the health and safety of children and the quality of the child care programs.

Program:	Dollar	Fund
Head Start Grants	Amount(s):	Source(s):
	(\$60,000)	General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee reduces staff and travel, which is compounded by the lack of funding for year 3 labor costs. Positions be left vacant or eliminated in order absorb the negotiated increases. Insufficient staffing levels will result in delays in programs and services.

The reduction in this component will directly impact timely issuance of grant awards due to loss of staff in a program that already has minimal staffing.

Program:	Dollar	Fund
AK Vocational Technical Center	Amount(s):	Source(s):
	(\$75,000)	General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee reduces staff and travel, which is compounded by the lack of funding for year 3 labor costs. This reduction will directly impact the amount and cost of training services provided Alaskans. A Marine Education instructional position will be left vacant which will leave a gap in the maritime simulator training currently offered. By leaving this position vacant AVTEC will not be able to offer the highest level of marine pilot training utilizing the simulator. This level of training in the Unlimited Master license category is requested by the maritime industry and a potential revenue generator for the Alaska Maritime Training Center. This is currently the only instructional position vacant at AVTEC.

Travel will be curtailed by limiting the amount of marketing the Center will be actively involved in. Currently AVTEC participates in a series of career fairs, job fairs, college fairs and high school presentations around the State. The potential impact is a reduction in student enrollment. Loss of student enrollment translates directly into loss of revenue. For every student not recruited, AVTEC could realize a loss of \$7,500.

Program:	Dollar	Fund
Mt. Edgecumbe High School	Amount(s):	Source(s):
	(\$50,000)	General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee reduces staff and travel, which is compounded by the lack of funding for year 3 labor costs. Positions will be left vacant or eliminated in order absorb the negotiated increases. Additionally, costs for essential services associated with the operation of the school continue to escalate, such as increased food service, dormitory supervision, and custodial contracts, and elevated heating and electrical costs, to name a few. This reduction in funding will severely impact the school's capacity to provide a safe, quality educational program.

Mt. Edgecumbe's student enrollment remains constant due to limited dormitory space. The average funding support per student at Mt. Edgecumbe High School is lower now than it was in 1994. Mt. Edgecumbe's student population consists of students who come from over 100 different Alaskan communities.

Program:	Dollar	Fund
Museum Operations	Amount(s):	Source(s):
	(\$60,000)	General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee reduces staff and travel costs. The reduction in this component will directly reduce hours and services. The two museums operate now at a minimal staffing level. Over 160,000 people a year visit the museums, view traveling exhibits or use educational objects from the Museum. The Museums have been open seven days a week during the peak visitor season. A further reduction in staff will mean fewer services and fewer hours or more closures.

Program:	Dollar	Fund
Administrative Services	Amount(s):	Source(s):
	(\$70,600)	General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee reduces staff and travel costs, which is compounded by the lack of funding for year 3 labor costs. Positions will be left vacant or eliminated in order absorb the negotiated increases. Insufficient staffing levels will result in delays in programs and services.

The reduction in this component will directly impact the timeliness of vendor and grant payments, federal reporting, personnel actions including hiring, status changes, and payroll, and overall delivery of administrative services. There is very little travel budgeted in this component and most of the general funds are in personal services. There will be little option but to reduce staff. Fewer staff will further exacerbate the overwhelming workload that is contributing to high staff turnover and an inability to hire individuals with experience in this area. The complexity of the work given the varied funding sources, appropriation structures, and reporting and accountability requirements generates the need for more staff with a higher skill level. This level of funding creates serious concerns for the agencies ability to perform the statutory and regulatory functions of this office.

Program:	Dollar	Fund
Information Services	Amount(s):	Source(s):
	(\$50,000)	General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee reduces staff and travel costs, which is compounded by the lack of funding for year 3 labor costs. Positions will be left vacant or eliminated in order absorb the negotiated increases. Insufficient staffing levels will result in delays in programs and services. With increasing demands for technology to assist in program

service delivery through network, web, and Internet services, the need for fully trained information technology staff is increasing, not decreasing.

There is very little travel budgeted in this component and most of the general funds are in personal services. There will be little option but to reduce staff. Fewer staff will further exacerbate the overwhelming workload that is contributing to high staff turnover and an inability to hire individuals with experience in this area. The reduction in this component will directly impact program service delivery throughout the department.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated Reduction - Year 3 Labor Costs Various Components	(\$219,400)	General Fund

Impact Title: Eliminate state funds for Year 3 Labor Cost increases

Impact Analysis:

The Conference Committee's unallocated cut directly related to the state cost of the Year 3 labor agreements will be absorbed through personal services reductions in all budget components. Positions will need to be left vacant for a longer period of time or in some cases, positions will be eliminated in order to provide the funding necessary to implement the negotiated agreements. This reduction, combined with additional personal services and travel cuts will impact the department's ability to efficiently and effectively administer statutorily required programs and services.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated Reduction Department-wide	(\$125,000)	General Fund

The Conference Committee does not specify where the department should take the \$125,000 in general fund reductions. The combination of this unallocated reduction with having to absorb the cost of the negotiated Year 3 labor costs, and given the reductions in other areas of the budget, the impact will be felt most heavily on programs with the highest percentage of general fund budgets. Additional staff will be cut as a result.

Program:	Dollar Amount(s):	Fund Source(s):
Foundation Program	(\$500,000)	General Fund
Alyeska Central School	\$408,800	GF/Prog Receipts

Impact Title: Implement fees for summer school courses

Impact Analysis:

The Conference Committee implements a fee structure for summer school courses to make the program more viable. The new structure will implement a \$100 course fee that will be reimbursed to the student upon completion of the course as an incentive. The \$100 enrollment fee is a balance between creating an incentive without financially discouraging participation of those students truly committed to completing a summer course. The fee will also weed out students who are marginally interested and provide parents and the school district the motivation for following through with the student.

Under this structure, the overall enrollment of summer school is expected to decline that will reduce the cost to the state through the Foundation Program.

Program:	Dollar Amount(s):	Fund Source(s):
Quality Schools – Statewide Correspondence	(\$175,000)	General Fund

Impact Title: Deny funding for statewide correspondence program monitoring and review

Impact Analysis:

The Conference Committee does not fund the department's request for two positions to ensure the quality of educational services being provided through a growing number of statewide correspondence programs. The number of students enrolling in statewide correspondence programs has increased dramatically over the past several years. The department does not have the resources to adequately review the applications from school districts to operate these programs or follow up on monitoring and evaluating these programs. Additional oversight is necessary to ensure instructional and fiscal accountability.

Program:	Dollar Amount(s):	Fund Source(s):
Special and Supplemental Services Early Literacy	(\$100,000)	General Fund

Impact Title: Deny general funds for early literacy efforts

Impact Analysis:

The Conference Committee does not include funding to make sure that statewide early literacy efforts are reaching eligible children ages 0-8 and their families and making a difference in preparing young Alaskans for school.

Early literacy is a key indicator of school success. The governor's Smart Start initiative included funding for a position to pool resources from existing programs to train parents,

caregivers, educators, and paraprofessionals in age appropriate early literacy instruction.

Program:	Dollar Amount(s):	Fund Source(s):
Quality Schools – Distance Education	(\$1,000,000)	General Fund

Impact Title: Deny funding for distance delivered courses

Impact Analysis:

The Conference Committee does not fund the department's request for funding to provide distant delivered courses in core content areas to small schools that do not have access to certified staff in specific content areas such as math and language arts. This was recommended by the Education Funding Task Force because access to these courses is a critical element in closing the achievement gap for all kids.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska State Council on the Arts		
Silver Hand Program	(\$50,000)	General Fund Match
Silver Hand Program	\$20,000	Federal Funds

Impact Title: Reduce Silver Hand Program and match for National Endowment for the Arts funding

Impact Analysis:

The Conference Committee eliminates the governor's request for \$50,000 in general fund match for the Silver Hand program and the state match for National Endowment for the Arts funding, and includes \$20,000 in federal receipt authorization. Unless other matching funds are found, it is unlikely that additional federal funding will be available.

The Silver Hand program was established by AS 45.65.010-.070 in 1961 to authenticate Alaska native handicrafts and promote the marketing and sale of Alaska native arts. In FY 1999, the program was transferred to the Alaska State Council on the Arts with less than \$5,000 to issue permits to distribute the seals, and to supervise and enforce use of the seals. Without adequate funding the Arts Council will not be able to deal with increasing violations by Outside wholesalers and dealers who blatantly market arts and crafts as Alaskan made when they clearly are not.

Program:	Dollar Amount(s):	Fund Source(s):
Tuition Students	(\$400,000)	General Fund

Impact Title: Reduce tuition payments to school districts providing educational services to children in state custody.

Impact Analysis:

The Conference Committee does not fund the increase necessary to compensate school districts for serving students in state custody. This will have the largest impact on the Anchorage, Fairbanks, and Kenai School Districts.

Program:	Dollar Amount(s):	Fund Source(s):
Schools for the Handicapped Out of State Education Services	(\$150,000)	General Fund

Impact Title: Short fund educational services provided to seriously emotionally disturbed students in out-of-state residential treatment programs.

Impact Analysis:

The Conference Committee does not fund an increase projected in FY2003 for educational costs related to students being served in out-of-state residential treatment programs. Medicaid does not reimburse the cost of educational services provided to these students who are in state custody/foster care. Placement decisions are made by the Department of Health & Social Services. Students are only placed in out-of-state treatment programs when existing resources within Alaska are full or if there is no residential treatment program available for these seriously emotionally disturbed youth.

Program:	Dollar Amount(s):	Fund Source(s):
Schools for the Handicapped Special Education Service Agency	(\$16,800)	General Fund

Impact Title: Short fund formula for providing special education services to school districts.

Impact Analysis:

The Conference Committee does not provide full funding for the Special Education Service Agency. The annual request is calculated as required by AS 14.30.650 of \$15.75 per average daily membership in the prior fiscal year. The projected entitlement for SESA in FY2003 is \$2,094,600. Funding is provided for itinerant special education services for districts that do not have access to specialists. SESA staff work directly with resident teachers and parents in delivering special education services to eligible children.

Open Items:

Program:
Library Operations

**Dollar
Amount(s):**
(\$120,000)

**Fund
Source(s):**
General Fund

Impact Title: Reduce personal services and travel costs

Impact Analysis:

The Conference Committee proposal to reduce staff and travel costs is compounded by the lack of funding for year 3 labor costs, which will require that positions be left vacant or eliminated in order absorb the negotiated increases. The combination of these reductions equals approximately 10% of the personal services line item. Insufficient staffing levels will result in delays in programs and services.

The reduction in this component will directly reduce hours and services from the Historical Library, Reference and Information Services and the Talking Book Center. It will also impact the ability to help libraries prepare for implementation of the Gates Foundation grant to receive computers and software. A further cut in travel will also impact the ability to work with small rural libraries in bringing them into compliance for the Gates grant. The State Library has lost over 33% of its staff since 1988 due to budget cuts; additional cuts will reduce staff yet again and will result in reduced services and hours.

Department of Environmental Conservation
Impact Statements in Response to
Legislative Final Budget
Date: May 24, 2002

Program:	Dollar Amount(s):	Fund Source(s):
Oil Safety and Development Initiative		
Water Quality	(\$907,000)	General Fund
Water Quality	(\$ 36,800)	Gen Fund Program Rcpts
Industrial Preparedness	(\$451,200)	General Fund
Prevention and Emergency Response	(\$244,000)	General Fund
Statewide Public Services	(\$125,000)	General Fund

Impact Title:

Failed to fully fund oil safety and development initiative to promote responsible development of Alaska's oil and gas resources.

Impact Analysis:

The Legislature funded only the air quality portion of the initiative. Protection of water quality, spill response, and contingency planning and a full time presence on the North Slope were not funded. Failure to fund this initiative continues to fuel the public perception that the state is not adequately funded to oversee current oil development, much less anticipated growth or the opening of ANWR.

This budget does not fund pre-application, pro-active assistance to facilitate future permits and plan approvals. It did not fund staff to handle the significantly increased drilling and leasing activity, and as a result, water quality discharge permits and contingency plan reviews will take longer. It did not fund an increase in the number of drills of response plans; increased field responses to releases; ambient environmental condition water quality monitoring to show the effectiveness of permits and to expedite the issuance of new permits and permit renewals; or an increase in the number of water discharge inspections.

Program:	Dollar Amount(s):	Fund Source(s):
Children's Environmental Health Initiative		
Environmental Health Director	(\$175,000)	General Fund

Impact Title:

Failed to fund children's environmental health initiative to address the fact that nearly one in twenty children has a developmental disability resulting from environmental exposures.

Impact Analysis:

This budget does not fund the children's environmental health initiative. Children's environmental health is better addressed through education and outreach, than by attempting to regulate every aspect of our lives. For example, we can't (and don't want to) regulate indoor air or mercury-based thermometers, but we can inform people about risks and ways to protect themselves. Parents and schools want to protect their children – we can give them the tools to do so. Regulations and restrictions aren't the answer; education is. This budget fails to provide any funding for this educational effort.

What are some examples of environmental health concerns?

- Burning of waste such as burn barrels.
- Pollen, dusts and mold spores.
- Vehicle emissions, such as school buses and delivery trucks idling.
- Unsanitary debris, dumpsters, or building exhausts near outdoor air intakes.
- Equipment and structural sources, such as mold growth in drip pans, duct-work, coils, and humidifiers, improper venting of combustion products, dust or debris in duct-work, emissions from shops, labs, cleaning processes, dry traps that allow the passage of sewer gas, and damaged asbestos.
- Furnishings, such as emissions from new plastic or composite wood furniture, and floorings and water-damaged materials.
- Mercury in thermometers, fluorescent lights, maze toys, and art supplies can cause impaired brain development.
- Pesticides are linked to reproductive and developmental disorders.
- Contaminated sites on school grounds frequently expose children to benzene, which is associated with cancer, and PCB's which are correlated with impaired intellectual and hormonal development.
- Unsafe drinking water is a potential pathway for contaminants and communicable diseases.
- Exposure to sewage – especially in rural villages with sewage lagoons – can be a source for communicable diseases.
- Improper food handling and sanitation exposes children to salmonella, E. coli, botulism, and other food-borne diseases.

Department of Fish and Game
Impact Statements in Response to
FY2003 Budget Reductions
Date: May 31, 2002
Prepared by: Frank Rue

The final budget passed by the legislature reduced the Department of Fish and Game's general funds by \$1,987,100 from the Governor's amended budget request.

Program:	Dollar Amount(s):	Fund Source(s):
Agency-wide Unallocated Reduction	(\$306,300)	General Fund

Impact Title: In 10 years the department's general funds have been cut by 27.4%, while each year more of the department's activities are impacted by growing federal funds and federal restrictions. 80% of the department's general funds are spent in commercial fisheries management, so again this year, a majority of the Legislature's \$306,300 unallocated cut will have to be spread through the four commercial fishing regions. Included in this reduction is the elimination of \$20,000 in general funds in the Division of Sport Fish for the Chitina dipnet fishery.

Program:	Dollar Amount(s):	Fund Source(s):
Wildlife Conservation	(\$223,700)	General Fund

Impact Title: Eliminate state match for Wildlife Conservation Non-Game Programs.

Impact Analysis: This cut reduces the general funds for the Division of Wildlife Conservation by 87%. This funding has been used to satisfy a 3:1 match requirement for programs in wildlife education, research and monitoring of endangered species, management of species not hunted or trapped, and wildlife viewing programs. Specific reductions resulting from this cut are:

1. Elimination of all field monitoring and research on the Queen Charlotte Goshawk. This species occurs in southeast Alaska and environmental groups have petitioned the U.S. Fish and Wildlife Service to list this species as endangered.
2. Reductions in field surveys for other non-game species that are potential targets for listing as endangered species.
3. Reductions in wildlife viewing programs at Creamers Field, Potters Marsh and Palmer Hay Flats State Wildlife Refuges.
4. Reductions in wildlife education programs, Project WILD and Becoming an Outdoor Women.

Program:	Dollar Amount(s):	Fund Source(s):
Division of Subsistence	\$1,000,000	AIDEA Dividends

Impact Title: Subsistence funding from a one-time funding source.

Impact Analysis: The Legislature replaced general funds with a one-time funding source. Since this is a core function of state government that has historically been included in the base budget, general funds will have to be restored in FY 2004.

Program:	Dollar Amount(s):	Fund Source(s):
Habitat and Restoration	(\$525,100)	General Fund

Impact Title: Eliminate critical habitat projects.

Impact Analysis: The final FY03 budget does not fund three new proposals requested in the Governor's budget.

Oil Safety and Development Initiative	\$222.6
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In response to increased oil and gas exploration and development activity on the North Slope and in the Cook Inlet area, increased staffing is necessary to provide timely permitting and ensure fish and wildlife resources are not negatively impacted.

Establish Mat-Su Permitting and Habitat Restoration Center	\$202.5
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This funding would establish a habitat permitting and restoration center in the Mat-Su borough, similar to the one currently operating on the Kenai River. Based on the success of the Kenai River Center, the availability of staff to provide local technical assistance will help streamline the permitting process, develop sources of funding for and public confidence in habitat restoration techniques, and improve landowners' willingness to prevent damage or restore stream banks and fish habitat in the Mat-Su Valley.

Permit Application Review on the South Kenai Peninsula	\$100.0
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This funding would add an additional permitter at the Kenai River Center to specifically address explosive growth in the number of permit applications in the lower Kenai Peninsula. This will help the department to prevent additional impacts to important fisheries resources supporting the Kenai Peninsula economy.

Office of the Governor
Impact Statements in Response to the
FY2003 Final Legislative Budget
Date: May 24, 2002
Prepared by: Michael Nizich

The budget reduces the Office of the Governor's general funds by \$1,605,600 from the Governor's amended budget request.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated reduction	(537,000)	General Fund

Impact Title: Shortfund personal services in departmental base budgets

Impact Analysis:

The Conference Committee's unallocated \$567,000 reduction to the Office of the Governor will reduce departmental employees by an estimated 9 full-time positions. This reduction will significantly reduce the resources available to a new governor in establishing the new administration and operations of the Governor's Office.

Program:	Dollar Amount(s):	Fund Source(s):
Unallocated reduction	(24,200)	Gen Fund Match
	<u>(243,400)</u>	General Fund
	(267,600)	Total

Impact Title: Lack of Funding for Year 3 Labor Costs

Impact Analysis:

Not funding the Year 3 Labor Costs will force vacant at least 3 departmental positions. This will further impede the new administration.

Program:	Dollar Amount(s):	Fund Source(s):
Human Rights Commission	(148,900)	General Fund

Impact Title: Delete increment for additional positions and resources to address increased service demands

Impact Analysis:

Denial of the requested increment will have an adverse effect on the businesses and individuals the Commission assists. More and more businesses have asked the

Commission for technical assistance and training to help prevent discrimination. The Commission has found that such assistance and training are the best methods for reducing discrimination complaints. Without the ability to meet the ever-increasing demand, the Commission will be forced to turn away most of these requests because of limited staff resources. Complaint filings are again on the rise. Denial of the increment will require Alaskans who file complaints and the businesses charged with discrimination to wait longer for complaint resolution.

Program:	Dollar	Fund
Tribal Affairs	Amount(s):	Source(s):
	(390,000)	General Fund

Impact Title: Eliminate increment to establish the Office of Tribal-State Affairs.

Impact Analysis:

Denial of the requested increment will impede Executive Branch efforts to improve government-to-government relationships between the federally-recognized tribes and the state, and continue implementation of the Millennium Agreement. Funding of this request would provide sufficient resources to facilitate effective and respectful communication between tribal and state governments; assist in educational efforts to increase state employees' knowledge and appreciation of tribal cultures and governments; identify for proposed changes the statutory impediments to full coordination and cooperation between state and tribal governments; and facilitate joint state-tribal educational programs throughout the state.

Program:	Dollar	Fund
Executive Office	Amount(s):	Source(s):
	(147,500)	General Fund

Impact Title: Delete the interagency transfer to support tribal-state relations.

Impact Analysis:

The internal transfer of 2 full-time positions and funding from the Office of Management and Budget to the Executive Office was to provide support for the Office of State-Tribal Affairs and implementation of the Millennium Agreement.

Program:	Dollar	Fund
Governmental Coordination	Amount(s):	Source(s):
	(79,400)	General Fund

Impact Title: Deny additional Oil & Gas Consistency Review Position

Impact Analysis:

The increment would allow DGC to continue to provide an increased level of customer service in the area of oil and gas permitting. For FY2002, DGC has been able to fund this position through a one-time unbudgeted RSA. The added oil and gas project review capacity has allowed DGC to go beyond our minimally required role as coordinator of the ACMP consistency review to coordinate and facilitate the other permits needed for oil and gas exploration and development. Without this increment, DGC will have to eliminate this position, and return to focusing almost exclusively on the consistency review process. This will lengthen the overall review time needed for state permits on oil and gas projects.

Program:	Dollar	Fund
Governmental Coordination	Amount(s):	Source(s):
	(350,000)	Federal Rcpts

Impact Title: Delete increment for increased federal funding of Alaska Coastal Management Program

Impact Analysis:

The federal FY2002 appropriations bill authorizes an additional \$350,000 for Alaska's participation in the coastal nonpoint source control program. If authorization for the additional funding is omitted from the FY2003 budget, the request will be submitted to Legislative Budget & Audit for review during the interim. This will delay the ability of local governments to access these funds for FY2003 projects.

Department of Health and Social Services
Impact Statements in Response to the
FY2003 Final Legislative Budget
Date: May 28, 2002
Prepared by: Janet Clarke, Director, Administrative Services

The Conference Committee budget is approximately \$41 million below the Governor's amended general fund request for FY2003. Approximately \$18.3 million of this reduction is due to under funding Formula program growth for Adult Public Assistance, Medicaid, Foster Care Special Needs, and Subsidized Adoption and Guardianship programs. This under funding will result in the need for supplemental funding. Key Governor's Initiatives for additional funding for Smart Start to insure the health, safety and success for Alaska's children and funds to address problems related to alcohol abuse and alcoholism were not funded. In addition to other program specific reductions, all administrative units have a 3% cut to general fund with no allowance for FY2003 labor cost increases forcing programs to absorb these increases in addition to other budget cuts.

Program:	Dollar	Fund
Family Preservation	Amount(s):	Source(s):
	(\$930,800)	General Funds

Impact Title: Cut Family Preservation Programs

Impact Analysis:

The cut of \$671,200 in general funds from the current Family Preservation base budget puts funding at \$930,800 below the Governor's request. This will reduce Family Preservation grants designed to help children and families at risk or in-crisis. This reduction may impact family preservation services, intensive pre-placement services, follow-up care for families, and services to increase parenting abilities. Time Limited Family Reunification grant services that may be decreased involve safe and timely family reunification, supervised visitation, and parent support groups.

Short funding support services would hamper the division's efforts to safely maintain the child in their own home. When removal of the child is necessary, decreased services would delay reunification when the issues that brought them to the division's attention are not resolved timely. Failure to provide family support and substance abuse and mental health treatment services would significantly affect the success of the intervention process. Delayed intervention and diminished support services would not be as effective and would undermine the division's efforts to preserve the family unit and insure the safety of the child in the home. The reduction in this component may result in the removal of the child from the family home for placement in foster care. Further, it can produce longer stays in foster care, possible multiple foster care placements, and an increase in foster care costs.

Not funding the Governor's Family Visitation Center \$750,000 increment will eliminate the proposed visitation centers in Anchorage, Fairbanks, Mat-Su, Kenai, Juneau, and Bethel. A lack of supervised visitation places children at greater risk of harm, and fails to maintain or foster the relationship of parent and child. This may lead to longer involvement with the family on the division's part, failed reunification efforts, fewer family visits, and a less secure attachment between parent and child.

Not funding the \$975,000 Early Intervention for Family Support increment will eliminate the Early Intervention program expansion planned for the Fairbanks, Bethel, and Kenai areas. This program would enable the division to refer low risk reports of harm to a community-based non-profit social services agency. Due to caseload levels, the high number of reports of harm, and the shortage of trained workers, the division would not be able to investigate each report of harm. This would force workers to workload adjust low risk reports that they were unable to investigate.

Program:	Dollar Amount(s):	Fund Source(s):
Catastrophic and Chronic Illness Assistance	(\$2,000,000)	General Fund

Impact Title: Cut the Catastrophic and Chronic Illness Assistance program in half.

Impact Analysis:

This action cuts the Chronic and Acute Medical Assistance program (CAMA) for our most needy citizens by \$2 million in general funds or 50 percent. In effect, the responsibility of providing essential health care to more than 600 Alaska citizens in severe need will shift to our pharmacies, physicians and hospitals.

CAMA provides an extremely limited package of health services to Alaskans with terminal illnesses or one of four chronic illnesses: diabetes, seizure disorder, chronic mental illness, or hypertension. Each CAMA recipient is unable to obtain any other assistance – private or public.

Medical services provided under CAMA are limited to necessary, life-saving prescription drugs, a limited number of physician visits, and required hospital care for no more than eight days per year. Approximately 1,288 Alaskans received CAMA in FY2001.

A cut of \$2,000,000 will be a serious hardship to many of the 600 Alaskan citizens who will have no other means of aid.

Program:	Dollar Amount(s):	Fund Source(s):
Alaska Temporary Assistance Program (ATAP)	(\$4,300,000) \$4,300,000	Inter-Agency Federal

Impact Title: Impacts Ability to Sustain Existing Temporary Assistance to Needy Families (TANF) funded Services

The Conference Committee budget replaces funds that are used to hold poor people harmless from losing benefits when they receive a permanent fund dividend. These funds are replaced with federal funds from welfare block grant dollars (ATAP/TANF).

This change significantly increases TANF expenditures and jeopardizes our ability to maintain TANF financing obligations next year and in future years. If federal TANF funding for ATAP is insufficient to meet program obligations, the Department will have to reduce funding or request a supplemental to pay for TANF funded services that currently provide child care, welfare-to-work, head start, child welfare and domestic violence services.

Welfare reform has saved millions of state general fund dollars. The state GF share of these savings have been deleted from ATAP to the federally required maintenance of effort floor and the surplus federal TANF shares transferred to other block grants producing additional state general fund savings. Additional direct TANF funding has supplanted state GF spending in Head Start, domestic violence and healthy families programs. Comparing what was spent in FY1997 to the amount for FY2002, the total general fund savings was \$47.9 million through FY2002.

Federal funding for the TANF block grant expires in FFY2003 and must be reauthorized by Congress this year. If Congress does not reauthorize TANF block grant funding at its current baseline level, we will not have enough federal TANF money to fund the Legislature's proposed FY2003 TANF financing.

Program:	Dollar Amount(s):	Fund Source(s):
Adult Public Assistance (APA)	(\$1,750,000)	General Fund

Impact Title: Short fund Projected Public Assistance Formula

Impact Analysis:

The APA budget request estimated the APA caseload would continue to grow by about 4.2% to 15,156 persons in FY2003. The Conference Committee budget funds an APA population increase of only 1%. The Department has no discretionary control over formula program service demand or the number eligible. If the APA authorization is insufficient to meet program demand, the Department would request supplemental funding.

The Adult Public Assistance program was established with the purpose of furnishing financial assistance to needy aged, blind and disabled persons to cover basic living expenses such as

shelter, clothing and food. The elderly and disabled poor are the most vulnerable citizens. With few options to improve or even maintain their quality of life, these citizens tend to be heavily dependent upon state assistance to provide basic necessities.

Any potential reduction in the APA benefit takes away from the income around which these Alaskans have structured their lives. A reduction in APA benefits could destabilize the living arrangements of a poor disabled or elderly person who is living independently, forcing them into institutional care at greater public expense, or into homelessness.

Program:	Dollar Amount(s):	Fund Source(s):
Public Assistance Administration	(\$100,000)	General Fund

Impact Title: Eliminate support for the Alaska Food Coalition

Impact Analysis:

This budget cut eliminates the \$100,000 grant to the Alaska Food Coalition. Alaska Food Coalition is an organization of community-based private food assistance providers, food banks, churches, state agencies and other concerned partners working together to strengthen and coordinate Alaska's various food and nutrition assistance programs. The Coalition formed after the passage in 1996 of national welfare reform laws. The aim was to assure that needy Alaskans had continued access to their basic food needs. The majority of the Coalition's annual grant funding has gone to purchase food and equipment needed by local food banks to meet the demand.

An important aspect of the coalition has been the growing coordination and greater communication between public and private hunger prevention organizations. The efforts of the group, supported by this modest grant, have directly and positively impacted the hunger problem in Alaska.

Program:	Dollar Amount(s):	Fund Source(s):
Public Assistance Field Services	(\$457,200)	General Fund

Impact Title: Cut caseworkers managing 4,600 Public Assistance cases

Impact Analysis:

This budget cut eliminates 17 existing positions that collectively manage an average caseload of 4,600 public assistance program cases. The forced vacancies and layoffs will impact Anchorage, Juneau, Fairbanks, Mat-Su, Kenai and Bethel field offices. The proposed cuts are to existing positions needed to maintain current services. This will increase caseloads to an unmanageable size.

The programmatic impacts of staff reductions are truly severe.

- Division of Public Assistance (DPA) offices will lose the ability to carry out their mission of providing timely, accurate assistance benefits and reducing welfare dependency; and

- As accuracy and timeliness decrease with extremely high caseloads, high benefit payment error rates are likely to result in federal fiscal sanctions that could exceed \$1.0 million.

Due to federal matching requirements, the \$457,200 general fund reduction also results in \$457,200 lost federal match participation. The total financial impact to this component is \$914,400.

DPA cannot fully absorb a cut of this magnitude at the contractual line allocation. The Field Services contractual budget is almost entirely fixed costs that provide basic operating items like telephones, postage, office space leases, and other essential operation supports. This entire proposed cut is only achieved through significant reductions to existing field positions.

Unemployment, illness, and other personal emergencies can threaten the well-being of any Alaskan and create the need to seek public assistance. One out of every eight Alaskans requests some type of cash, food, medical, or energy assistance from the Division. While many families and individuals are served only for a short period of need, an estimated 90,000 persons will receive some form of assistance in the coming year.

The Public Assistance Field Services component provides basic eligibility services for the services mentioned above in 14 communities statewide. Eligibility workers and clerical support deliver essential, often life sustaining, services by ensuring timely benefits reach eligible poor Alaskans to pay for food, shelter and other basic needs. This general fund and corresponding federal reduction directly impacts client services and will delay getting essential food and other assistance benefits to poor Alaskans.

Program:	Dollar Amount(s):	Fund Source(s):
Public Assistance Admin BRU	(\$406,400)	General Fund

Impact Title: Lack of Funding for Year 3 Contract Labor Costs

Impact Analysis

The Conference Committee budget eliminates funding for the Year 3 Contract Labor Costs. This budget cuts \$406,400 GF that would result in an additional \$328,200 in lost federal match participation. The total financial impact on Public Assistance BRU would be \$734,600. This cut only compounds the impacts of other reductions, particularly in the PA Field Services component where the combined cuts in GF and the loss of federal matching participation would total \$1.5 million. There is no associated reduction in formula casework, only the severe reduction of existing staff who do the work to insure timely and accurate benefit payments.

Program:	Dollar	Fund
Public Assistance Data Processing	Amount(s):	Source(s):
	(\$100,000)	General Fund

Impact Title: Cut Basic Data Processing

Impact Analysis:

This budget cut eliminates two existing positions and contractual support that helps maintain the Division of Public Assistance Eligibility Information System (EIS). The cut of \$100,000 GF would result in an additional \$100,000 in lost federal match participation. The total financial impact would be \$200,000.

Supporting this system is vital. Nearly every facet of public assistance daily operations has some connection to the Division's Eligibility Information System (EIS). The long-term impact will be the degradation in services and computer systems, which will impact the ability of field and administrative staff to perform their work in a timely and efficient manner.

Public Assistance workers in 14 communities rely upon the EIS and its computer network for determining eligibility for ATAP, Medicaid, Food Stamps, Adult Public Assistance, Denali KidCare, and General Relief Assistance, as well as welfare-to-work case management. EIS supports the management and issuance of cash, food and medical assistance benefits, childcare for ATAP recipients and supportive service for working clients.

Each month over 85,000 welfare recipients depend on the successful operation of the EIS system for receipt of their assistance benefits.

Program:	Dollar	Fund
Community Mental Health Grants	Amount(s):	Source(s):
	(\$877,900)	General Fund/MH

Impact Title: Community Mental Health Service Losses

Impact Analysis:

For FY2003, the legislature reduced the general funding for community mental health grants by \$877,900. This reduction will mean the loss of major portions of the community mental health system statewide. The division will be forced to base community mental health funding on priority populations.

General Community Mental Health Services:

As a result of the reductions to this component and Psychiatric Emergency Services below, the Division will eliminate "general mental health services" statewide. These programs provide services to emotionally disturbed adults and youth who do not reach the level of impairment to be classified as severely mentally ill or severely emotionally disturbed. The estimated impact on the population is the loss of services to over 9,720 adults and youth.

Psychiatric Emergency Services:

The reduction will eliminate three general mental health grants that were transferred to this component and renamed as crisis follow-up services. The remainder of the statewide psychiatric emergency services will be maintained at FY2002 levels.

Services to Chronically Mentally Ill Adults:

The general community mental health services programs also provide limited support services to Severely Emotionally Disturbed Adults, who are adults with severe and disabling, but non-psychotic disorders. This population has never had specific grant funding. Severely Emotionally Disturbed Adults are another priority population, and will have to be absorbed into the programs for Chronically Mentally Ill Adults, and the increase helps support that change.

Program:	Dollar Amount(s):	Fund Source(s):
MHDD Administration	(\$425,800)	General Fund/ Mental Health

Impact Title: Lay off staff

Impact Analysis:

The cut of \$425,800 would result in the Division laying off six to seven staff. We would lose the ability to adequately license, monitor and investigate the Assisted Living Homes serving our Mental Health (MH) and Developmentally Disabled (DD) consumers, leaving this population dangerously vulnerable to threats and potential facility safety issues. We would lose a portion of the Community MH Grants and Community DD Grants programmatic oversight and technical assistance for the program's non-profit service providers. This would result in a reduction of the Division's ability to assure delivery of appropriate service to consumers. Finally, we would suffer a decreased ability to provide Division infrastructure support to the MH, DD and Safety/Quality Assurance programs—processing grant awards and payments, developing and maintaining information systems for reporting service data, and providing management of the Division's fiscal and human resources.

The component's ability to carry out the Division's mission to "improve and enhance the quality of life for consumers impacted by mental disorders or developmental disabilities" would be seriously compromised by these changes. Likewise, the Division's ability to implement the newly proposed performance measure related to consumer satisfaction with services would be greatly compromised if we did not have the staff to conduct the related provider site reviews.

Program:	Dollar Amount(s):	Fund Source(s):
Infant Learning Program Services	(\$700,000)	General Fund

Impact Title: Deny \$700,000 for Infant Learning Program

Impact Analysis:

Early Intervention/Infant Learning Program services for children between the ages of 0-3 are provided to reduce or ameliorate disabling conditions. Each year, the number of children needing services increases, the number and percentage of children with the most significant disabilities and service needs has grown, and the cost per enrolled child continues to escalate. During FY2001, the average cost for a child enrolled in Early Intervention/Infant Learning Program services was approximately \$3,800 per year. Elimination of \$500,000 in base funding, with the directive of moving to a needs based program, would likely eliminate many children from the program. These children with disabling conditions will likely develop secondary disabilities, and the resulting inability to deal with the conditions at a young age may mean long-term problems that are costlier and harder to ameliorate. It will make it impossible to meet the agreed upon measure of all eligible Infant Learning Program children being served.

Program:	Dollar Amount(s):	Fund Source(s):
Human Services Community	(\$ 205,500)	General Funds
Matching Grants	(\$ 233,000)	Interagency

Impact Title: Reduction of Human Services Community Matching Grant

Impact Analysis:

The proposed cut would reduce, by 25 percent, each of the health and human services grants to the two qualified municipalities: Fairbanks North Star Borough and the Municipality of Anchorage. Non-profit organizations that compete for these funds provide high quality, cost efficient services to children and youth. The reduction of funds would decrease services that address priority areas such as family dysfunction and mental and emotional problems. Additional services that may decrease include temporary shelter for homeless persons, delivery of meals to those in economic need, child care for school age children from low and moderate income families, and domestic violence services to family members involved in domestic violence situations.

Program:	Dollar Amount(s):	Fund Source(s):
Medicaid Services	(\$ 1,165,400)	Federal Funds
	(\$19,224,500)	General Funds
	\$ 3,671,200	Interagency Rcpts
	\$ 1,062,500	Tobacco ED/CES
	364,000	Receipt Supported Services
	(\$15,292,200)	Total

Impact Title: Reduced Match Funding within the Medicaid Program

Impact Analysis:

The legislature reduced general funds within Medicaid Services by \$19,224,500 and partially offset the reduction with increased interagency receipts, Tobacco Education and Cessation, and receipt supported services funding totaling \$5,097,700. This results in a net loss of \$14,126,800 in available match for medical services claims payments. The loss of matching funds could reduce the ability of Medicaid to provide services to those in need by approximately \$33,145,940. At an average cost of \$667 per month per person, the proposed cut plus the associated federal funds could provide medical services for 4,140 Alaskans during FY 2003.

Loss of these funds will result in more aggressive cost containment that will have widespread effects throughout the provider community and other DHSS program areas.

Providers will experience reduced revenues, either because they will not be paid or because their rates will be reduced. Provider participation in the Medicaid Program is optional and rate reductions would provide a disincentive for continued participation.

The legislature included intent language that would direct the department to cut optional services before seeking a supplemental appropriation. In most cases, cutting optional services is not a cost effective way to manage the Medicaid program.

Cost shifting results in the movement of program expenditures between mandatory and other optional service areas. For example: A person who now receives occupational or physical therapy services under the Medicaid option may chose to acquire these services under an outpatient setting if the option is cut. This will cost more. A person in severe pain because of a gum infection will probably not go without necessary medical care because Medicaid no longer covers dental. They will seek the required care from a physician in a clinic or an emergency room – services that Medicaid will pay for anyway, possibly at a higher rate.

The Legislature has made the number of participating providers and access to health care for Alaskans a performance measure for the Division of Medical Assistance. Each funding cut puts provider participation at risk. Cutting optional services from the program may appear to save general fund dollars, but in the long run, the savings may be negligible or entirely non-existent.

To cut optional services, Medical Assistance will have to issue regulations, a lengthy process. For these reasons, it is not cost effective to cut optional services. If cost containment measures are not a success in reducing costs, the department will seek a supplemental.

Program:	Dollar Amount(s):	Fund Source(s):
Medical Assistance Administration	(\$126,000) (\$ 70,000)	General Funds Federal Funds

Impact Title: Reduce State Medicaid costs

Impact Analysis:

Alaska's Medicaid program directly impacts the service delivery of every division within the Department of Health and Social Services, as well as divisions in four other departments within the state system. There are six sources of federal funding that branch into a kaleidoscope of varying federal participation rates, allotments, and reimbursements, each with its own federal and state regulatory structure.

Current economic and health care trends in Alaska continue to exert increasing pressure on state health care managers and policymakers to provide clear demonstrated evidence of the ability to sustain an effective and responsive health care management capability. Loss of these funds will result in constraints on services through cost containment. The effects of these actions are not limited to Medicaid clients, as that effort will have widespread effects throughout other program areas and among Medical service providers.

The division's cost for administering the Medicaid and CAMA programs equaled only 3.3% of the total dollars paid for those medical care services, compared to a national average of over 4%. While the efforts to save general fund dollars have been extensive, services provided to a growing number of eligible Alaskans have been maintained, and in some instances increased. This is directly attributable to an aggressive effort to develop and sustain effective business management practices for the state's health care delivery system.

Program:	Dollar Amount(s):	Fund Source(s):
Medicaid State Programs	(\$99,400)	General Fund

Impact Title: Reduce services purchased from other state agencies in accordance with Alaska's Medicaid State Plan

Impact Analysis:

Alaska's Medicaid program impacts the service delivery of every division in the department, and four other state departments. Services that would be lost or reduced due to the proposed reduction of general funds to match federal Medicaid dollars include feasibility studies for client outreach and education, public safety concerns such as life safety cost compliance surveys and provider background checks on personal care providers, support for home health care (personal care attendant program), and training and technical assistance for public health nurses statewide.

Program:	Dollar Amount(s):	Fund Source(s):
Health Purchasing Group	(\$71,300)	General Funds

Impact Title: Reduce surveillance and utilization review to recover provider overpayments

Impact Analysis:

Any reduction in general fund matching funds will erode the division's ability to identify potential fraud and abuse, make appropriate referrals for investigation, assure timely and accurate provider claims, and pursue third party recoveries.

A decrease in claims reviews will compromise efforts to consistently evaluate/audit claims for new visit frequency, intensity of service, diagnosis to procedure comparison, and multiple component/duplicative component conditions.

The inability to effectively screen for and identify procedures or services during claims processing that exceed clinical/coding guidelines, and to compare their appropriateness of care against national profiles, automatically generates a reduction or denial of the claim. Such actions, when made in error as a result of reporting service delivery incorrectly, will erode provider participation and potentially remove an opportunity to initiate corrective action to eliminate (or significantly curtail) unnecessary service provision.

Efforts to identify and target those provider types experiencing claims filing problems through outreach and more accessible education/training have reduced the time and effort needed to process provider reimbursement claims, and strengthened provider participation in the Medicaid program.

Program:	Dollar Amount(s):	Fund Source(s):
Health Facilities Certification and Licensing	(\$32,500)	General Funds
	(\$13,400)	Federal Funds

Impact Title: Reduce the number of complaint investigations.

Impact Analysis:

The federal government has established minimum standards for providers who wish to participate in the Medicare or Medicaid programs. The Social Security Act establishes the framework within which state health facility licensure agencies carry out the Medicare certification process under agreements between the states and the Secretary of Health and Human Services. The Social Security Act stipulates that these same agencies are authorized to set and enforce standards for Medicaid.

Over the past three years mandates from the Centers for Medicare and Medicaid Services (CMS) have increased the requirement for oversight of Long Term Care (LTC) facilities. The result has been a significant increase in the number and seriousness of complaint investigations and reports of harm, including resident-to-resident abuse, which now requires on-site investigation.

Complaints have increased 40% since 1998 and reports of harm (ROH) have increased 1126% in the same timeframe. Centers for Medicare and Medicaid Services (CMS) can potentially impose penalties by withholding Medicaid funding if HFL&C does not meet the mandated timelines for surveys and reports. The budget reductions will undermine the division's ability to ensure that facility certification and licensing activities take place in a timely fashion and in compliance with federal requirements.

Program:	Dollar	Fund
Hearings and Appeals	Amount(s):	Source(s):
	(\$10,600)	General Fund

Impact Title: Reduce Access to the Medicaid Payment Rate Appeals Process

Impact Analysis:

Health care facility appeals of Medicaid payment rates and audit findings are formal hearings governed by the Administrative Procedures Act. Hearings are conducted by a hearing examiner pursuant to AS 44.62.350. Client appeals of actions by the Division of Public Assistance and the Division of Medical Assistance are adjudicated in fair hearings mandated by a number of state and federal regulations.

This checks and balance system provides an impartial and unbiased vehicle to individuals and providers to present evidence and arguments for a decision and final administrative action. The proposed reduction to funding for this process may ultimately result in aggrieved parties seeking satisfaction through the state's more costly legal system.

Program:	Dollar	Fund
Children's Health Eligibility	Amount(s):	Source(s):
	(\$44,500)	General Fund

Impact Title: Reduce Access to Health Care

Impact Analysis:

Services/activities supported under Children's Health Eligibility include eligibility determinations and enrollment of potentially eligible children and their families into the Medicaid program and the Title XXI Medicaid expansion program under the Children's Health Insurance Program (Denali KidCare). Fewer resources will be available to provide eligibility determination services for this client group.

The proposed reduction in this program would negatively affect several of the division's performance measures and more importantly the children the division is responsible for protecting. Specifically, the number of children in state custody longer than 18 and 36 months would increase due to reduced family support services. Reduced services could preclude families from successfully meeting the treatment and case goals that would lead to the release of children from custody.

Additionally, the length of time in state custody before achieving reunification would increase due to the reduction in vital services such as follow-up care and supervised visitation that allow the child to return to the family home.

Program:	Dollar Amount(s):	Fund Source(s):
Foster Care Base Rate	(\$909,500) (\$349,000)	General Funds Federal

Impact Title: Deny Foster Care Daily Rate Increase

Impact Analysis:

Not funding the Foster Care Daily Rate Increase increment will require the division to continue to pay foster parents based on the 1993 poverty guideline, a rate that does not reflect the 23.45% cost of living increase that has occurred since it was established. Without the daily rate increase, the division may lose trained, experienced foster care providers who feel the current rate of reimbursement is inadequate to meet the basic needs of the foster child. Denying the rate increase may also diminish the division's ability to recruit foster parents and force the division to place children in more expensive facilities such as residential care facilities.

Program:	Dollar Amount(s):	Fund Source(s):
Foster Care Augmented Rate	(\$63,000)	General Funds

Impact Title: Short fund Foster Care Augmented Rate Program

Impact Analysis:

Failure to fund the anticipated caseload increase for the next year will prevent an estimated 14 foster children from receiving augmented benefits each month. The Augmented Foster Care program or difficulty of care program, reimburses foster care providers for extraordinary costs and for higher levels of supervision authorized by AS 47.14.100 that are not covered by the Foster Care Base Rate program. When children enter foster care with a higher level of disturbance, foster parents are required to access a higher level of services to meet their needs (i.e., physical and/or psychological therapy, supervised visits with family members, individual education plans, tutoring). The proposed reduction would diminish the department's ability to meet its obligation to reimburse foster parents and would impose a hardship on existing foster care providers.

There is already a shortage of foster parents. An inability to reimburse foster care providers for services rendered will seriously erode any success that the Department has made during the last two years to recruit and retain foster parents. This could result in the Department not

having enough foster parents to care for the children committed to State custody. This may force placement of children in more expensive facilities such as Residential Care Facilities.

Program:	Dollar	Fund
Foster Care Special Needs	Amount(s): (\$445,300)	Source(s): General Fund

Impact Title: Short fund Foster Care Special Needs Caseload Increment

Impact Analysis:

Failure to fund the anticipated caseload increase means DFYS will not be able to provide special needs benefits to approximately 192 children placed in foster care. Based upon this reduction, the division projects that it will completely exhaust funds and will not be able to provide services to these children. Foster Care Special Needs funds reimburse foster care providers for one-time or short-term approved expenses authorized by AS 47.14.100 that are not covered by the Foster Care Base Rate.

In recent years, children placed in foster care have had more complex needs and issues, and foster parents are often required to have a greater level of specialized knowledge. Short funding this program would further diminish the department's ability to recruit and retain new foster parents who can provide the care needed to meet the individual behaviors and specific needs of these children.

Program:	Dollar	Fund
Subsidized Adoption & Guardianship	Amount(s): (\$2,000,000)	Source(s): General Fund

Impact Title: Short fund Subsidized Adoption & Guardianship Program

Impact Analysis:

Failure to fully fund the 14% anticipated caseload increase for next year will force the division to seek a supplemental appropriation to fulfill its obligation to subsidize approximately 1,700 guardianships and adoptions. This is due in part because the FY2002 program needs are projected to be short by \$2.5 million. From FY1992 to FY2001 the number of children transitioned from the foster care system into a permanent home increased 348%, from 338 to 1,515. The division anticipates that the number of children in the subsidy program will reach 1,784 by the end of FY2002.

By law, the division must comply with the terms of the subsidy agreements, and is unable to eliminate or reduce the subsidy contract. The Subsidized Adoption & Guardianship program is an adoption and guardianship incentive program for children with special needs.

Subsidized adoption is a way to establish permanent homes through adoption for children who are hard to place, who are in the permanent custody of the State, and who are unlikely to be adopted without a subsidy. AS 13.26.062 and AS 25.23.190 - 25.23.240 provide the department with statutory authority and guidelines to administer the program. Placement

must also be accomplished within the shortened time frames mandated by State and Federal law, including Alaska's HB375 and the Federal Adoption and Safe Families Act of 1998.

Short funding this program would potentially subject the State to legal action for breach of contract, as the State would no longer be in compliance with State and Federal laws if subsidy payments are not processed.

Program:	Dollar Amount(s):	Fund Source(s):
Residential Child Care	(\$ 50,000) (\$550,000)	General Funds Interagency

Impact Title: Eliminate Mental Health Stabilization Home Program

Impact Analysis:

Not funding the Mental Health Stabilization Home increment will eliminate the short-term residential option that was to serve as a step-down program from acute hospital care or secure residential psychiatric treatment care. It may also eliminate the availability of an interim placement for severely disturbed youth who are difficult to place. Lack of this home will decrease the options available to families and providers to develop a safe and appropriate placement.

Program:	Dollar Amount(s):	Fund Source(s):
Adoption Placement Program (formerly the Balloon Project)	(\$262,600) (\$200,000)	General Funds Federal Funds

Impact Title: Reduction of Adoption Placement Program (Balloon Project) Funding and Elimination of Adoption Incentive Funds

Impact Analysis:

Of the \$2,009,200 request for the Adoption Placement Program, \$1,546,600, or the FY2002 funding level, was funded, resulting in a \$462,600 shortfall.

In FY2002 the division was able to cover the reduction of \$262,600 with funds carried forward from FY2001. Additional funds are not available to carry forward from FY2002 to FY2003.

The Balloon Project was established to help transition children through the foster care system and into a permanent home more rapidly. Permanent placement must be accomplished within the shortened time frames set by State and Federal law. These laws require children that have been in foster care for 15 of the past consecutive 22 months be placed into a permanent home. The elimination of funds dedicated to this effort will reduce the department's ability to meet these legal mandates and force children to remain in the foster care system longer.

The proposed reduction of \$200,000 federal funds for the Adoption Incentive program will hamper the division's ability to develop post-adoption services for adoptive parents in Alaska. These services are critical to ensure adoptive parents receive the support and parenting skills necessary to address the many special needs of the children in their homes.

The reduction of this program would negatively affect several of the division's performance measures and more importantly the children the division is responsible for protecting. Specifically, the number of children in state custody longer than 18 and 36 months would increase, as resources dedicated to transitioning children into permanent homes are eliminated. Substantial progress has been made by the Balloon Project workers to terminate parental rights and free children in long-term custody for adoption. As such, the length of time in state custody before achieving adoption would also increase due to the elimination of staff and essential resources.

Program:	Dollar	Fund
Family and Youth Services Management	Amount(s):	Source(s):
	(\$123,000)	General Funds

Impact Title: Elimination of Positions

Impact Analysis:

The proposed reduction of \$123,000 in general funds from the Family and Youth Services Management base budget may result in the lay off of 4 positions. These positions provide comprehensive program, managerial, and financial support to the Front Line Social Workers that deliver direct services to abused and neglected children. Short funding this program would further impact the program development, guidance, and progress toward zero tolerance.

Program:	Dollar	Fund
Probation Services	Amount(s):	Source(s):
	(\$703,100)	General Funds

Impact Title:
Cut already insufficient probation resources

Impact Analysis:

Current caseloads for Juvenile Probation are double the National average. A reduction of \$703,100 from the FY2003 Governor's Request will cut staff and further increase caseloads. The reduction results in delays in responding to juvenile offense referrals, the need to prioritize cases which most often means ignoring less serious offenses which in turn reinforces for the juvenile offender the unintended message that there are no consequences for their criminal behavior. In response to legislative direction, the division was just beginning to provide services to victims and with this reduction, the reality is that this is the most likely service area that will not be met.

Program:	Dollar	Fund
Alcohol & Drug Abuse Services	Amount(s):	Source(s):
	(\$8,430,500)	General Funds
	\$3,600,000	Alcohol and Drug
	\$ 278,500	Federal Receipts

Impact Title: Eliminate the Governor's Alcohol Initiative

Impact Analysis:

Funding for the Governor's Alcohol Initiative and the substance abuse and suicide prevention portions of the Children's Health Initiative was not appropriated. Initiative elements that were not funded by the legislature include: Elimination of the waitlist for adult residential alcohol treatment; elimination of the waitlist for substance abuse services for women with children; outpatient alcohol and substance abuse treatment programs for small communities; expansion of services for dual diagnosis (substance abuse and mental illness) patients; transitional housing for recovering substance abusers; expansion of the Alcohol Safety Action Program; additional substance abuse counseling in rural communities; and expansion of the state's effort to prevent inhalant abuse and suicide.

Program:	Dollar	Fund
Public Health Nursing	Amount(s):	Source(s):
	(\$404,300)	General Fund
	(\$661,500)	Interagency

Impact Title: Elimination of needed increments for the Bethel facility and Health Passport Program

Impact Analysis:

Federal dollars were added for Homeland Security, resulting in a net increase. However, the program still needs general fund increments. The elimination of the increment to fully fund the lease costs for the Bethel Health Center will result in staff operating and providing services out of a sub-standard facility. The elimination of the Health Passport project increment will preclude the state being able to draw down significant additional federal dollars to fund seven nurses that would assist children in Foster Care get the medical and health care services they need and currently do not receive due to lack of consistent caregivers and health care providers.

Program:	Dollar	Fund
Maternal, Child & Family Health Services	Amount(s):	Source(s):
	(\$69,800)	General Funds

Impact Title: Cut handicapped children program.

Impact Analysis:

The FY2003 General Fund reduction of \$69,800 will require severe curtailment of the Handicapped Children's Program, which provides some rehabilitative and diagnostic services to a number of high-risk children with special health care needs. These children are not eligible for Medicaid and do not have any other coverage, so may have to go without some of the complex medical care they require.

Program:	Dollar	Fund
Public Health Administration	Amount(s):	Source(s):
	(\$27,300)	General Fund

Impact Title: Eliminate funding for most of one support staff in the Director's Office

Impact Analysis:

The reduction in Public Health Administration will eliminate funding for most of the salary for one support staff needed to ensure the Director's Office can provide timely administrative and budget support to the Sections.

Program:	Dollar	Fund
Epidemiology	Amount(s):	Source(s):
	(\$200,000)	General Fund

Impact Title: Elimination of environmental contaminant monitoring increment

Impact Analysis:

Due to the elimination of funding for the evaluation and monitoring of environmental contaminants, the State will not have a credible voice to speak out on food safety issues. Because the scientific basis for risk assessment methodology is controversial and unsettled, considerable public health expertise is required to answer the question, "Is this food safe to eat?" Dedicated professional staff will not be available to provide authoritative public health advice, leverage resources from other agencies, develop risk communication techniques in partnership with affected constituencies, and provide a check on the US Environmental Protection Agency's ability to bypass State government.

Program:	Dollar	Fund
Community Health/Emergency Medical Services	Amount(s):	Source(s):
	(\$64,800)	General Fund

Impact Title: Reduction to Emergency Medical Services training and certification, which will compromise emergency medical services in the state

Impact Analysis:

The reduction to Emergency Medical Services training and certification will result in the following: 1) not funding a contract for the State Emergency Medical Services Medical Director; 2) reduced expenditures for Emergency Medical Services equipment and supplies; 3) elimination of printing the quarterly Emergency Medical Services newsletter *Response*; and 4) a reduction in the very small amount of general funds that support Emergency Medical Services staff in the state office. This will reduce the quality of program services statewide as a result of less medical direction and support for local activities.

Program:	Dollar	Fund
Community Health Grants	Amount(s):	Source(s):
	(\$680,700)	General Fund

Impact Title: Eliminate the specialized programs in Community Health.

Impact Analysis:

As a result of eliminating the funding for the Pre-maternal Homes (\$121,200) in Nome and Kotzebue, these two programs will either have to reduce services or find outside funding to maintain the current service level. These homes are critically important to ensuring women have a place to stay in the regional hub while waiting to give birth.

Elimination of the support for the hearing and language services and vision services (\$136,900) for Norton Sound and Maniilaq means that some individuals served by these corporations may go without these services. The result could be learning problems in these children and impaired communication or mobility for an adult/elder.

Reduction of the funds available to assist small local communities in maintaining access to primary care services by (\$422,600) will mean virtual elimination of the small supplemental grants that sometimes mean the difference between being able to sustain one provider and having to stop services.

Program:	Dollar	Fund
Office of State Medical Examiner	Amount(s):	Source(s):
	(\$33,000)	General Fund

Impact Title: Deny increased labor costs

Impact Analysis:

Elimination of the FY2003 request to cover increased labor costs will make it impossible for the program to completely fund the third forensic pathologist position in the office. This means fewer autopsies will be done and there will be less time available for the pathologists to provide consultation to law enforcement agencies and to testify in court. Overall there will be less information for families and the legal system regarding causes of death and how to prevent them in the future or to hold those causing the death accountable.

Program:	Dollar	Fund
Public Health Laboratories	Amount(s):	Source(s):
	(\$226,900)	General Funds

Impact Title: Reduce essential and critical laboratory services and lose federal matching funds

Impact Analysis:

Due to the proposed reduction from FY2002 base funds in the amount of (\$151,400) the Section of Laboratories will have to eliminate 1) the biomonitoring laboratory and 2) the alcohol and drugs of abuse laboratory. The elimination of the biomonitoring laboratory will result in the inability to assist Epidemiology with scientific evidence to respond to local requests for consultation. Additionally, Alaska will be unable to counter the national food advisories that are not appropriate for Alaska and may undermine subsistence and commercial and sport fishing viability. Elimination of the alcohol and drugs of abuse laboratory will significantly hinder the Medical Examiner in establishing toxicological causes of death.

Base fund reductions will also result in a 23% reduction in the number of individuals that can be tested for significant contagions such as tuberculosis, hepatitis and sexually transmitted diseases. The result will be that one out of four individuals with these diseases will not be identified nor treated, thereby spreading the disease throughout the population.

The additional cuts of (\$75,500) may result in the elimination of at least one full-time microbiologist. The Section of Laboratories has experienced a 47% vacancy rate of the medical scientists for the past several years. Further reductions in staffing through elimination of this position will contribute further to an unacceptable and potentially medically dangerous level. Insufficient number of personnel leads to increased technical errors that will lead to misdiagnosis, increased fatalities and a general increase in the occurrence of infectious diseases.

Finally, due to the reduction in general funds the Section will receive fewer federal matching dollars through Medicaid, further eroding the ability of the laboratory to provide scientific and medical support for the legislatively mandated control of diseases such as tuberculosis, hepatitis and sexually transmitted diseases.

General fund cuts to the public health laboratory program may jeopardize a portion of the expected \$6.9 million in federal Bioterrorism funding.

Program:	Dollar	Fund
Alaska Mental Health Board	Amount(s):	Source(s):
	(\$18,700)	General Fund

Impact Title: Reduction to the Alaska Mental Health Board

Impact Analysis:

The AMHB mission is to act as the State planning, advocacy, monitoring, and coordinating agency for Alaskans experiencing mental illness and serious emotional disorders (consumers). Relevant FY2003 measures of mission progress are:

1. Provide quarterly reviews of the quality assurance monitoring process for the state mental health program at regular public meetings.
2. Develop and implement a strategic communications plan, including forums and outreach efforts, to raise public awareness of Alaska Mental Health Trust beneficiary needs and to reduce stigma.

An \$18,700 reduction of AMHB funding from FY2002 General Fund base budget will directly impact both AMHB's capacity to fulfill its mission as reflected in FY2003 measures and its statutory and Mental Health Trust litigation settlement mandates. The cut will require the elimination of one of the AMHB's quarterly meetings, making it impossible to provide quarterly review of quality assurance monitoring and curtailing forums and outreach efforts. Reducing the number of AMHB meetings to three will limit consumer access and advocacy during State policy and planning processes. Consumer involvement represents the core value of the AMHB and is mandated both in statute and the Trust settlement. Without significant consumer involvement, accomplished by taking the AMHB to consumers around the state, a consumer-centered system of care cannot be achieved.

Program:	Dollar Amount(s)	Fund Source(s)
Advisory Board on Alcoholism and Drug Abuse	(\$15,600)	General Fund

Impact Title: Reduction to Advisory Board on Alcoholism and Drug Abuse

Impact Analysis:

The proposal to cut the Board's budget \$15,600 would significantly impair the Advisory Board's process for conducting business on an already limited budget. To accomplish this cut, it would be necessary to reduce the Advisory Board's travel budget by \$15,600, eliminating one to two of the four quarterly meetings of the fifteen-person board. In an attempt to mitigate this impact, two three-hour teleconferences would be substituted for the eliminated meetings. It would also be necessary to hold the standing committee meetings telephonically before each meeting by teleconference. This telephonic meeting cost is estimated at \$6,478 for member, agency and organizational partners in the Advisory Board's work. This reconfiguration of meetings would reduce the opportunities for Board members to receive testimony from members of the public and interested stakeholders, and to share their expertise and views on policy recommendations regarding Alaska's greatest public health problem.

The ability of the Advisory Board to meet its statutory responsibilities would be compromised. Responsibilities include advising the Legislature, the Governor, and state agencies in matters related to mental health and substance use disorders, preparing and maintaining a

comprehensive plan of services, and providing the Alaska Mental Health Trust Authority with recommendations for implementation of the comprehensive integrated mental health plan and the expenditure of Trust income from the mental health trust settlement income account.

Proposed cuts to the FY2003 budget would put additional pressure on an already constricted operating budget.

Program:	Dollar	Fund
Commissioner's Office	Amount(s):	Source(s):
	(\$80,600)	General Fund

Impact Title: Reduce Commissioner's Office

Impact Analysis:

The Conference Committee fully funds the Suicide Prevention Council; however, the remainder of the cut will reduce the Commissioner's Office budget by almost 10%. A 10% reduction will negatively affect the Commissioner's Office ability to ensure that the department's mission, policy goals and division measures can be met.

It will likely mean a new Commissioner next fall will have one Special Assistant instead of two. The size of DHSS and the complexity of its programs necessitate a certain number of senior staff to manage the department; this cut will make that difficult for a new administration.

Program:	Dollar	Fund
Administrative Services	Amount(s):	Source(s):
	(\$182,900)	General Fund

Impact Title: Decreased administrative support services

Impact Analysis:

The mission of the division is to provide quality administrative services that support the Department's programs. The DAS mission and its performance in achieving measures will be impacted by loss of funds. If an alternate funding source cannot be found to replace the general fund reduction, DAS will have to reduce services and potentially cut a position.

DAS will have to review the current charge backs from the Department of Administration for potential reductions and efficiencies.

These funding reductions will cause delays in reporting, accounting, revenue collection and auditing for the many federal grants administered by the department and may result in penalties and loss of essential federal revenue.

There will be delays in hiring which will impact the department's programs and delivery of services (i.e., Social Workers for Child Protection, Eligibility Technicians for Medicaid and

Public Assistance, Nurses for Public Health, Probation Officers for Juvenile Justice and Psychiatric staff for Alaska Psychiatric Institute).

Department of Labor and Workforce Development
Impact Statement in Response to the FY2003 Final Legislative Budget
Date: June 3, 2002
Prepared by: Ed Flanagan, Commissioner

The Legislature's final budget reduces the Department of Labor and Workforce Development's general fund budget request by \$1,371,600 from the Governor's amended budget. Included in this reduction are \$343,000 in fund source switches used to a) support the current Safety Advisory Council and b) address the backlog in two safety inspection programs.

Program:	Dollar Amount(s):	Fund Source(s):
Job Training	(\$503.4)	General Fund

Impact Title: Eliminate all state general funds for Job Training programs

Impact Analysis:

The legislative cut of the entire Job Training program general funds will have an adverse impact on the administration of Alaska's Workforce Investment Act (WIA) programs. Of the \$503.4 cut, \$476.6 are funds used in the administration of the Balance of State (BOS) WIA programs. The department has requested a waiver to allow funding additional administrative positions with federal WIA program dollars. Without the federal waiver, the lay off of 3 to 5 frontline staff will affect applicants seeking job training in Fairbanks and Ketchikan (approximately 45 clients in each location annually). Also, there will be a loss of direct case management services for up to 60 job training clients in the Naknek /Bristol Bay area, an elimination of perhaps 2 to 3 public employer forums in Fairbanks and Juneau, and the loss of One Stop coordination services and support in the Juneau office.

Program:	Dollar Amount(s):	Fund Source(s):
Mechanical Inspection	(\$92,000)	General Fund

Impact Title: Eliminate One New Electrical Inspector Position

Impact Analysis: The Legislature's decision to eliminate funding for one new electrical inspector position in the Mechanical Inspection program means that the northern region will continue to be without a dedicated electrical inspector. Currently the division has two inspectors to cover the entire state. Given the size of the state, and the climate difficulties, this can lead to issues with availability of inspectors and with timely inspections of new buildings. Communities with sufficient workload to support municipal inspection programs (Anchorage, Fairbanks, Juneau [residential only]) are doing so already. The addition of one inspector will enhance compliance with Certificate of

Fitness (CF) requirements. Major projects such as missile defense will also generate additional CF fees.

Program:	Dollar	Fund
Wage and Hour Administration	Amount(s):	Source(s):
	(\$102,000)	General Fund

Impact Title: Eliminate two wage and hour technicians

Impact Analysis: The Legislature's decision to not fund two new wage and hour technician positions will result in a lesser amount of protection for Alaska's workers, and put law-abiding contractors at a competitive disadvantage. Without the technician positions, some audits will still be performed by wage and hour investigators, but only if complaints are received. As a result, fewer prevailing wage violations will be found and prosecuted, fewer workers will have unpaid wages returned to them, and the amount of time it takes to close a case will increase. Potentially, up to \$200,000 per year in wages lost through payroll errors will not be returned to Alaskan workers.

Program:	Dollar	Fund
Alaska Labor Relations Agency	Amount(s):	Source(s):
	(\$3,700)	General Fund

Impact Title: Reduce Labor Relations

Impact Analysis: The budget passed by the Legislature will reduce the work hours of its Administrative Clerk. When the Clerk is absent, the three remaining staff would be required to stop work on their caseloads, greet the public, answer phone calls, and perform other necessary clerical tasks.

All costs have been trimmed by the agency and travel has been reduced from \$30.0 to \$13.0 in recent years. For the first time in agency history, the board's three-member panel could not afford to travel to a hearing in Southeast Alaska in January 2002. Five years ago, the Board conducted four meetings per year. It will need to consider reducing the frequency from the current two meetings to just one per year providing less opportunity for the public to discuss issues with the Board informally. This impacts the Board's ability to carry out the Legislature's declared statutory policy of promoting "harmonious and cooperative relations between government and its employees and to protect the public by assuring effective operations of government." AS 23.40.070.

Program:	Dollar	Fund
Occupational Safety and Health	Amount(s):	Source(s):
	(\$222,700)	General Fund

Impact Title: Eliminate Funding for Oil Safety and Development Initiative

Impact Analysis: The Legislature's action deletes one new industrial hygienist position in Anchorage, and one new electrical inspector in Anchorage. These positions will

ensure that facilities erected or used during gas and oil production or development comply with the National Electrical Code and Uniform Plumbing Code. Employees should have a safe and healthy work environment with protection against hazardous materials and exposures.

Department of Law
Impact Statements in Response to the
Final Operating Budget
Date: June 11, 2002
Prepared by: Kathryn Daughhetee

The operating budget adopted by the legislature reduces the Department of Law's general fund request by \$2,506,100 from the Governor's amended budget request. \$1,604,200 represents a reduction from our budget in FY 02. The most critical pieces of the \$2,506,100 general fund reduction are summarized as follows:

1. \$680,000 in denied salary cost increases, which are unavoidable without severe reductions in staffing levels since 71 percent of the department's budget is for payroll costs. This amount represents the combination of the FY 03 negotiated salary increases for state employees, and reclassification costs to provide better pay equity and reduce the high turnover in the agency's law office assistant positions.
2. \$531,700 in denied funds related to the fiscal impacts of new crime laws for victim restitution, drunk driving, and therapeutic courts.
3. \$983,200 in cuts directed to the three primary units in the Department: Criminal Division, Civil Division, and Oil & Gas Litigation.

The above cuts, plus additional targeted cuts, are discussed below. A large portion of the department's funding is provided through interagency agreements with our client agencies. We do not yet know how cuts to those agency's budgets will impact Department of Law.

Program:	Dollar	Fund
Office of the Attorney General	Amount(s):	Source(s):
	(\$506,300)	General Fund

Impact Title: Unallocated reduction in an amount equal to FY 03 labor cost increase plus an additional \$40.7

Impact Analysis:

"The mission of the Department of Law is to provide legal services to state government and to prosecute crime." The combined specific and unallocated budget reductions pose serious questions regarding how effectively our mission can be accomplished. The department is facing directed reductions to its major functions. The agencies that rely on legal services provided through general funds appropriated to the Department of Law are likely to continue to need those services. For these reasons the unallocated cut will be directed as a further reduction to the Oil & Gas Litigation appropriation. Included in the omnibus capital and supplemental bill (SB 2006) passed at the end of the legislative session is a provision allowing the agency to carryforward any unspent FY 02 funds

from the Oil & Gas Litigation appropriation. That authority will provide funding assistance for just FY 03. Even with that, the need for supplemental funds is nearly certain in FY 03.

Program:	Dollar Amount(s):	Fund Source(s):
Criminal Division Third and Fourth Judicial Districts	(\$250,000)	General Fund

Impact Title: Reduce prosecution attorneys and support staff

Impact Analysis:

The only way to reduce the cost of prosecution is to reduce staff. Furthermore, since many of the division's 14 district attorney offices are staffed by just one or two attorneys, staff reductions will need to be focussed on the Anchorage and Fairbanks offices. At least three attorney positions may be eliminated or held vacant. This reduction will be made increasingly difficult as a result of the City of Fairbanks' recent repeal of all of its domestic violence ordinances, shifting the burden and cost of prosecution and incarceration from the city to the state. Although the legislature did adopt language allowing the department to carryforward any unspent Criminal Division general funds from FY 02 into FY 03, that action will only delay the impact, rather than resolve it.

Program:	Dollar Amount(s):	Fund Source(s):
Civil Division Unallocated	(\$250,000)	General Fund

Impact Title: Reduce Civil Division services

Impact Analysis:

Although the Human Services section funding represents the largest allocation of general funds within the division, a further reduction is not sustainable there because whenever possible, as a matter of priority, we try to protect from cuts those legal services needed to ensure the safety and health of Alaskan citizens. Other general fund services involving employment law, elections, protection of natural resources, legislation, state treasury, and commercial enterprises were considered for possible reduction. Some legal services provided on behalf of the Department of Natural Resources will be eliminated. Although the legislature did adopt language allowing the department to carryforward any unspent Civil Division general funds from FY 02 into FY 03, that action will only delay the impact, rather than resolve it.

Program:	Dollar Amount(s):	Fund Source(s):
Civil Division & Criminal Division		

Law Office Assistant Reclass

(\$214,400)

General Fund

Impact Title: Reduce Law Office Assistant positions

Impact Analysis:

The legislature did not include requested general funds to pay for the cost of the reclassification of this agency's former legal secretaries to law office assistants. The study was begun in the wake of a grievance filed by the union on behalf of these positions. The grievance was precipitated by an action taken by state government that resulted in a higher level of pay for non-legal secretaries in state government. It became increasingly difficult to recruit and retain competent legal support staff. To complicate matters, the job descriptions were woefully outdated. The classification study commenced in January 2000, was finalized in May of 2001, and implemented the following month. The study clearly indicated that the legal secretaries were inappropriately classified and underpaid. Without the funds to pay for the increased salary costs resulting from the reclassification of 121 support positions, two positions will have to be eliminated while others will be subject to mandatory periods of vacancy as attrition occurs.

Program:

Civil Division

Collections and Support

Dollar

Amount(s):

(\$106,500)

Fund

Source(s):

General Fund

Impact Title: Deny full fiscal note funding for victim restitution legislation (Ch 60, SLA 01)

Impact Analysis:

As many as 5,000 victim restitution court orders may be sent to the Civil Division for collection as a result of passage of this new legislation. The legislation became effective on January 1, 2002, and the workload related to the task of collecting, accounting for, and paying out restitution is just beginning to be felt. Because the full amount of requested funding for this process was denied, the victim restitution effort may fall far short of its goal of successfully tracking down convicted criminals and delinquents and making payment to victims who are due restitution.

Program:

Criminal Division

Fourth Judicial District

Dollar

Amount(s):

(\$100,000 - 200,000)

Fund

Source(s):

General Fund

Impact Title: Move District Attorney office out of the old Fairbanks Courthouse

Impact Analysis:

The Department of Transportation and Public Facilities states that as a consequence of budget reductions to that agency, it plans to "cold close" the old Fairbanks Courthouse

in 2002. Currently approximately 25 attorneys and support staff are located in that building. In order to remain there temporarily and finally move to new permanent offices, will require additional funds Law does not have and had not planned on needing until approximately FY 04. As the costs will now be incurred sooner than anticipated, Department of Law will need to request supplemental funding in FY 03 and an increase to the base operating budget in FY 04 to help cover the cost of the move and new space. Without additional funds, more positions in the Fairbanks office will need to be eliminated or held vacant.

Program:	Dollar Amount(s):	Fund Source(s):
Criminal Division		
Third & Fourth Judicial Districts	(\$104,200)	General Fund
Civil Division		
Human Services	(\$148,300)	General Fund

Impact Title: Deny full year funding for new therapeutic court legislation (Ch. 64, SLA 2001)

Impact Analysis:

Therapeutic courts for felony drug and alcohol offenders are very resource intensive. Defendants who are accepted into the court agree to enter a program structured for them that is very closely monitored. The court requires defendants to make frequent appearances, and all parties, including the prosecutor, attend these court proceedings. In FY 02, this agency received authority for three new criminal division attorneys, but funding for just a portion of those positions. One attorney for Human Services to handle additional cases anticipated as a result of adding the new superior court judge was not funded at all. Lack of this funding will leave Human Services attorneys further scrambling to cover the caseload. Lack of funds to address prosecutions will mean less than adequate prosecutorial involvement in the program, and could jeopardize its success.

Program:	Dollar Amount(s):	Fund Source(s):
Criminal Division		
Third Judicial District	(\$168,400)	General Fund

Impact Title: Deny full year funding for new drunk driving legislation (Ch. 63, SLA 2001)

Impact Analysis:

Passage last year of stiffer alcohol laws requires additional prosecutors in Anchorage to handle the increased drunk driving prosecutions as a result of the .08 percent blood alcohol content and the changes to the "look-back" periods for repeat DWI and felony DWI offenses. Failure to adequately fund the required new staff will mean the level of prosecution will not meet the public's expectation.

Program:	Dollar Amount(s):	Fund Source(s):
Civil Division		
Human Services	(\$98,700)	General Fund

Impact Title: Deny paralegal position for Fairbanks Human Services section

Impact Analysis:

Statewide, the Civil Division's largest concentration of staff is in the Human Services sections. The sections provide important child protection, juvenile delinquency prosecution, mental health legal services, and protection of senior citizens. The Fairbanks section is the only location without paralegal support services for the Human Services attorneys. This office serves a huge geographical area and the caseload is excessive. Lack of funding for a paralegal will further compromise the ability to meet the timelines established in the 1998 child protection law.

Program:	Dollar Amount(s):	Fund Source(s):
Oil & Gas Litigation and Legal Services		
Oil & Gas Litigation	(\$442,500)	General Fund

Impact Title: Reduce Oil & Gas Litigation

Impact Analysis:

These funds pay for the cost of litigating the state's oil and gas pipeline-related, tax, and royalty cases. This reduction will result in less money contracted to outside counsel and experts who have historically assisted with a number of ongoing issues as well as new cases. These experts are needed to ensure that Alaska gets its full oil and gas revenues. Further reductions to this appropriation, such as the unallocated reduction of \$506,300 to the Attorney General's Office, is certain to result in the need for a supplemental request for additional general funds in FY 03 and budget increment requests in the future.

Program:	Dollar Amount(s):	Fund Source(s):
Civil Division		
Governmental Affairs	(\$120,000)	General Fund

Impact Title: Deny funds for telecommunications representation

Impact Analysis:

Without these funds, the state may lose its legal representation on telecommunication matters in Washington, D.C., before the Federal Communications Commission. Since the passage of the Telecommunications Act of 1996, the focus has been on assuring that the implementation of that Act by the FCC advances the interests of Alaskans. Of

particular consequence recently has been the protection and possible expansion of the policies of “geographic rate averaging” and “rate integration.” These policies assure that Alaskans do not pay more for interstate long distance services than other Americans do. These policies are under continuous attack from long distance carriers who want the opportunity to charge prices that reflect costs in each area they serve.

Military and Veterans Affairs
Impact Statements in Response to the FY2003 Final Legislative Budget
Date: May 23, 2002
Prepared by: Commissioner Phillip Oates

Service Impacts to the Public:

There is a \$113,400 general fund unallocated reduction to the Department of Military & Veterans' Affairs. The legislature included intent that the Assistant Adjutant General, an Air Guard position, be eliminated. This is a critical position to the mission of the Air Guard, and the department will evaluate other options available to meet this reduction.

Natural Resources
Impact Statements in Response to the
Conference Committee Budget
Date: May 22, 2002
Prepared by: Commissioner Pat Pourchot

The Conference Committee's budget reduces the Department of Natural Resources general fund request by \$4,927,100 from the Governor's amended budget request. This reduction includes \$1,745,700 in fund source switches from general funds to other fund sources, resulting in a net general fund reduction from the Governor's amended budget of \$3,181,400.

Program:	Dollar Amount(s):	Fund Source(s):
Parks Management	(\$1,016,100)	General Fund Program Receipts
	\$500,000	Receipt Supported Services

Impact Title: Closure of 9 State Parks

Impact Analysis:

Parks Management is the part of the DNR budget that pays for and operates the 121 units of the Alaska State Park system. The Conference Committee has passed a budget with a \$1,016,100 general fund program receipt reduction and a \$500,000 increase in receipt supported services. This results in a \$516,100 cut, of which \$330,000 is offset in the capital budget with one-time receipt supported services funding, leaving a NET \$186,100 cut to the State Park operating budget. The impact of this net budget action is the closure of 9 State Parks.

The Legislature proposed HB262, which will move Park user fees to a budget category called Receipt Supported Services. This action will remove Park user fees from the general fund category. The Department of Natural Resources supports this action. However, the Conference Committee did not authorize Parks to retain all of the user fees it currently collects. The \$186,100 reduction is in authority to retain and spend user fees paid by Park visitors. Without the ability to retain these fees, 9 state parks will close.

The legislature has identified three measures by which the success of the Division of Parks & Outdoor Recreation will be measured:

1. Number of Park Visits
2. Percentage of Park Facilities Open
3. The Level of Deferred Maintenance in State Parks

A budget reduction of \$186,100 to park operations will negatively impact our ability to meet these measures. The impacts are many, beginning with closing the facilities (campgrounds, boat launches, toilets, picnic sites) at 9 park units.

Any business that cuts 5% of its budget is going to deliver fewer services. In the Division of Parks & Outdoor Recreation, that only means one thing...fewer park facilities. In determining which park units to close, the following criteria were used:

1. Spread the cuts across the state so one region of the state is not hit more than others.
2. Within each region, choose those park units that have relatively low visitation.
3. Within each region, choose those park units that have a relatively low income from user fees.
4. Within each region, choose those park units that have a relatively high cost of operations.

Based on these four criteria, the Division of Parks & Outdoor Recreation proposes to close all of the following 9 park units to meet the Conference Committee's net \$186,100 budget reduction.

Impacted Sites

Northern Area: Lower Chatanika, Chena Recreation Site

Mat-Su Area: Kepler Bradley, King Mountain, Long Lake, Mat-Su Glacier, Big Lake North, Big Lake South, Rocky Lake

Closing park units will consist of removal of signage and picnic tables, and boarding up outhouses. In some instances, boat launch facilities paid for with federal fishing and boating access funds will remain open, but no amenities (outhouses, picnic tables, security) will be provided. The one-time cost of placing the facilities in these 9 park units in a closed status is \$225,000 which would have to be provided in the capital budget. There would be no net "savings" for FY2003 although future budgets would have the full reduction.

Closing these 9 park units will result in a significant drop in the legislative measure that counts the number of visits to the park system. Based on use levels from 2001, the park system will receive about 316,100 fewer visits. And the second legislatively mandated directive, keep 100% of the parks open, will change to 92%. Any opportunity to address the deferred maintenance measure (last calculated at \$42 million in 2001) will be eliminated. Additionally, we predict that the asset value of state park facilities will be severely degraded. Therefore this cut results in the inability of the Division of Parks to meet any of the three Park Management measures set by the legislature.

The greatest impact will be to Alaskans that are no longer able to access their favorite place to camp, fish, hike, or picnic. Alaskans are adamant about having access to the outdoors for recreation. This is exemplified by the fact that the state park system

receives over 4 million visits a year and 80% of those visits are from Alaskans. Alaska State Parks are where Alaskans recreate. Alaska has one of the highest outdoor recreation participation rates per capita in America. And Alaska State Parks provides those road accessible recreational opportunities complete with campgrounds, toilets, garbage service, trailheads, roads, and both motorized and non-motorized trails. All these opportunities will be lost in those park units identified for closures.

The Governor's priorities include a focus on jobs and economic development, both of which will be impacted by these park closures. The impact of these closures on local communities is going to be tremendous. Alaskan businesses are directly dependent upon their local park units to bring people to the area to purchase local products like gas, lodging, food, supplies, and fishing tackle. Local communities like Palmer, Sitka, and Fairbanks not only depend upon their local park systems for economic benefits, but also use them as local recreational outlets. Parks are not a luxury. They are a necessary component of a healthy community by providing places for families to be outdoors together, for teens to participate in healthy outdoor activities, and for anyone needing a place of solace. Parks provide opportunities for positive mental health as well as providing for physical activity. With obesity one of the nation's biggest health problems and Alaska ranking near the top of all the states, parks are an absolute necessity for a healthy population.

Park staff are integral members of their local communities. Most parks are away from large population centers. They are, by nature, in areas of lower population that can provide for fishing, hunting, wildlife viewing, and camping. And jobs in those local communities are vital to the continued viability of local businesses. These cuts will result in 8 summer seasonal staff and 3 additional permanent park staff losing their jobs. The loss of this income to local communities, along with the loss of income from other state workers losing their jobs, will be felt by local businesses. Those park positions that would be cut include:

Staff Reduction Detail by Area

Northern Area: Eliminate Chatanika Ranger

Mat-Su Area: Eliminate Mat-Su District Ranger, Mat-Su Ranger, 8 ACC positions.

Some may say we are creating this list just for maximum impact in order to save our budget. That is not the case. Using the criteria for selecting units, Parks plans to keep open those units with the most visitation, e.g., Deep Creek, Willow Creek, Quartz Lake, Kenai River, Crooked Creek, Nancy Lakes, & Chena River. The units selected here are what Parks will have to close if this budget reduction is ultimately adopted by the legislature. Parks does not want to close parks. We have no alternative given the budget cuts.

Program:	Dollar Amount(s):	Fund Source(s):
Park Management:	(\$450,000)	General Fund
	(\$250,000)	General Fund
		Program Receipts
	(\$ 20,200)	General Fund
	(\$ 40,700)	General Fund

Impact Title: Eliminate the Increments to Improve Park Maintenance, Safety & Fee Collection; Fund Increased Fuel and Radio Communications Costs

Impact Analysis:

One of the three measures by which the legislature evaluates the success of the Division of Parks & Outdoor Recreation is its ability to reduce the deferred maintenance backlog. In 2001, that backlog was identified at \$42 million.

In response to the need to improve maintenance in state park facilities, the Division of Parks & Outdoor Recreation proposed a \$700,000 (\$450,000 General Fund and 250,000 General Fund Program Receipts) increase in its operating budget to add more staff time to maintenance needs.

Improving maintenance has the following benefits to the over 4 million park visits each year.

1. Improved safety of the visitor. Some outhouses are so old that the floors are breaking through. Two years ago, a visitor fell through a rotten outhouse floor. Roads are very bumpy and can cause discomfort to riders and damage to vehicles. Attention to routine maintenance can improve the safety for park visitors.
2. Increased visitation & fees. As the parks are improved, more people will visit. This helps us meet one of the legislative measures of park success. More visitors means more revenue to increase the percentage of the park budget supported by user fees.
3. Increased support for local economies. Safer and better-maintained parks will see increased visitation which, in turn, will bring more people to the local businesses that rely on parks. Local communities supply items like fishing tackle, ice and food, gasoline, lodging, restaurants, & guides.
4. Better volunteer recruitment. The Division of Parks is experiencing a downturn in campground hosts. The reason given is that some of our parks are so broken that no one wants to host as all they will do is answer complaints about poor facilities and spend all their time doing maintenance. In addition, park host facilities in state park units are underdeveloped, so we are losing some campground hosts to other federal and state park systems that provide better host amenities (like holding tanks, phone).

Denied funding for increased fuel costs \$20,200: Providing a consistent presence in the park units for maintenance, fee collection, visitor safety, and resource protection creates a safe and comfortable atmosphere in which visitors can have a positive recreational experience. Maintaining this presence requires trucks, ATVs, snowmobiles, and boats, all of which require gasoline. With the cost of fuel increasing, the ability to sustain a minimal presence is decreased which impacts Park staff ability to provide visitors with a safe and enjoyable experience.

Denied funding for increased radio circuit charges \$40,700: The division relies heavily on radio communication through base stations, mobile units, and repeaters. In many areas, no other form of distance communication is feasible. This function cannot be cut. However, the costs for these services have increased by \$40,700. Funds necessary to meet this cost increase will have to be reprogrammed from other parts of the Parks budget resulting in a reduced ability to maintain facilities. The impact is a further deterioration in the condition of Alaska's Park system.

Program:	Dollar Amount(s):	Fund Source(s):
Forest Resource Management	(\$550,000)	General Fund
Timber Sale Program	\$350,000	Timber Sale Rcpts

Impact Title: Value-added timber sale program cuts – Net Reduction of (\$200,000)

Impact Analysis:

The Conference Committee's cuts are a net decrease of \$200,000 to the value-added timber sale program. This is a 12% cut to the timber sale program.

- Impact on missions and measures. This cut will mean **that none of the timber targets in the missions and measures will be met.** We will be unable to meet the targets for
 - the volume of state timber offered for sale,
 - the volume of state timber sold,
 - the volume of state timber offered for in-state companies and converted to value-added products,
 - the acreage of infested or diseased timber offered on state land, and
 - the acreage of infested or diseased timber sold on state land.
- Scale of program cuts. A 12% cut in the timber program means
 - Decreasing the total amount of timber offered by 3-4 MMBF per year.
 - Decreasing the amount of timber available for value-added processing by 6-8 MMBF per year.
 - Decreasing the total number of sales offered by 9-10 sales per year.
 - Providing timber to 5-7 fewer Alaskan businesses per year.
 - Eliminating 6-8 private sector jobs associated with harvesting, and additional jobs in reforestation and processing.

- Eliminating 3-4 full-time equivalent (FTEs) positions from the timber sale program.
- Location of impacts. **Program reductions must focus on timber sales in interior Alaska.**
 - Revenue differences force cuts to the interior. The average revenue per thousand board feet sold in southern southeast last year was three times that in the Interior. DOF would have to continue southeast sales to earn the full amount of timber sale receipts authorized. Failure to gain the full amount of program receipts would magnify the effects of the proposed cut.
 - Timber demand is highest for state sales in southern southeast Alaska. All the timber sales offered in southern southeast in recent years have sold.
 - Reforestation costs are higher in Interior Alaska. Timber harvest areas in southern southeast regenerate naturally, whereas site preparation and planting are needed on most interior sales to ensure that regeneration meets the Forest Practices Act standards. Because reforestation is required by law, DOF cannot offer sales that we can't afford to reforest.
- Impact on value-added program. The state timber sale program provides timber to local businesses for value-added processing. State timber fills a niche in the timber market that federal and private timber suppliers don't meet. **Cuts to the timber sale program will have immediate and long-term impacts on the supply of timber and costs of operation for local businesses in both the interior and southeast.**
- The cuts would severely reduce the Division's ability to lay out new timber sales in the Fairbanks Area. Remaining staff must first meet existing commitments – administration of the 71 existing sale contracts and reforestation contracts on areas already harvested. With major reductions in new sales, impacts will be quick and long lasting.
 - Under the cut we would provide timber to 5-6 fewer businesses per year, and jobs associated with these businesses would be lost.
 - At least six new private sector projects in the interior depend on State timber and are at risk from the budget cuts:
 1. Silver Gulch Brewery wood chip co-generation.
 2. Masters Touch Wood Products boxes for packaging smoked salmon from Interior fish processors.
 3. Dry kilns for Alaska Birch Works.
 4. Dry kilns for Granite Mountain Lumber.
 5. Wood stove pellet manufacture.
 6. Granite Mountain Alaska Lumber expansion with additional wood processor and feller-buncher.
 - Interior businesses would consume available over-the-counter sales in a little over a year even with no new industry. Because most of the OTC sales have

poor access and lower quality wood, they are more expensive to harvest. Costs to operators would increase, reducing their ability to compete with imports, and causing severe cutbacks in the industry.

- To ensure that the Division can generate sufficient timber sale receipts (\$681,100) in the face of a 12% cut in general funding, some southeast sales will have to be offered on the export market, further reducing supply to in-state businesses. To raise the timber sales receipts at the same time that General Funds are cut, DNR would need to sell 3 to 4 million board feet of timber from southern Southeast on the export market. This would divert 25-30% of the allowable cut from local processing to export, reducing the jobs supported by state timber. This loss would occur in the area with the highest demand for local timber.
- In FY02, DOF used timber sale receipts to remove barriers to value-added timber sales – maintaining and expanding accessible areas for forest management by building stream and railroad crossings and maintaining key roads. With the loss of basic resource management staff and timber sales associated with the proposed cut, DOF couldn't continue to remove such barriers, and sales would be limited to areas with existing access. Forest access has secondary benefits for hunters and recreationists, and these benefits would also be lost.
- Forest health. Recent spruce bark beetle infestations highlight the susceptibility of older, uniform forests to insects and disease. To reduce forest health hazards, we must break up these aging forests. Near communities, where wildfire must be controlled, the best tool to create younger stands is timber harvesting. The proposed cut hamstringing our ability to use forest management to reduce hazards from wildfire, insects, and disease.
- Type of funding affected. About 82% of the resource management budget is in personal services. Most of the non-personal services funding is contractual money for reforestation. We are required by law to reforest harvest areas, and reforestation funding is already short, so a disproportionate amount of the cut must come from personal services. Excluding reforestation funding, 90% of the resource management budget is personal services.

Program:	Dollar Amount(s):	Fund Source(s):
Forest Mgt & Development	\$250,000	Interagency Rcpts
	\$100,000	CIP Receipts

Impact Title: Add I/A Receipts from DEC's federal 319 funds for Forest Practices and add CIP receipts for federally funded Hazardous Fuel Assessment and Mitigation projects.

Impact Analysis:

The Conference Committee added \$250,000 I/A receipts for Forest Practices. This activity has been funded at this level the last couple of years through an unbudgeted RSA with the Department of Environmental Conservation. This action does not change the level of service provided under the Forest Practices program.

The Conference Committee added \$100,000 CIP receipts to the Governor's requested increment for federally funded hazardous fuel assessment and mitigation projects.

Program:	Dollar	Fund
Commissioner's Office	Amount(s):	Source(s):
	(\$338,100)	General Funds

Impact Title: Unallocated Reduction

Impact Analysis:

The Conference Committee's unallocated reduction of \$338,100 is extremely difficult to assign given that the department has been faced with an ever-increasing workload. Over the past five years we have implemented many efficiencies. We streamlined processes, collapsed management structure, implemented early retirement programs, and suggested statutory changes where appropriate. What we have left is a very dedicated staff that is attempting to meet the workload demand.

Our remaining alternative is to take reductions in areas where positions may come open. The impact of this is that economic development will slow down as permits are delayed, jobs will not be created, and the state is likely to lose more revenues.

Program:	Dollar	Fund
Administrative Services	Amount(s):	Source(s):
	(\$106,500)	General Fund
	\$106,500	Interagency Rcpts

Impact Title: Reduction in Administrative Services

Impact Analysis:

The department evaluated the options for reducing staff in its administrative services group and feels no additional reductions can be taken, and the only option is to charge the operating programs receiving these services. The Conference Committee

acknowledged this action by adding \$106,500 of Interagency Receipts authorization to offset the general fund reduction.

The consequence of charging operating programs such as Mining, Timber, Oil & Gas, and Parks for administrative costs is a direct reduction of available funds in those programs for services to the public.

As a reminder the department over the years has maximized its operational efficiencies over the years through:

- Reducing internal support staff, such as an administrative assistant and a secretary.
- Entering in a Shared Services Agreement with the Department of Military & Veterans' Affairs, which requires us to share one Director between two departments, as well as budget and other support.
- Decentralizing as many administrative functions to the operating programs as is justified.
- Limiting staffing levels to a bare minimum and only when workload levels exceed the base staff's capacity to handle this workload are seasonal staff hired to deal with this extra workload.

Program:	Dollar Amount(s):	Fund Source(s):
Oil Safety & Development	(\$307,000)	General Fund
Royalty Valuation	(\$118,300)	General Fund

Impact Titles: Failure to fully fund Oil & Gas increments:

Oil Safety & Development Initiative - \$500,000 original request
Royalty Valuation – \$250,400 original request

Impact Analysis:

The Division of Oil and Gas has two increment requests whose purposes are to maximize revenue from oil and gas leasing, production, and the sale of royalty oil and gas. Full funding of these increments will result in accelerating the issuance of leases, faster project permitting, better onsite management of the state's oil and gas assets, and a higher net back value for the state's royalty oil and gas.

Oil Safety and Development Increment

The \$500,000 increment will provide for an acceleration of leasing through hiring additional people for the leasing process (a surveyor and a lease administration expert), a reservoir engineering position to help assure that the state's economic interests are better protected in Alaska's 42 oil and gas units, and a permitter/inspector to manage the increased activity levels in Cook Inlet, Fairbanks, Big Delta, and MatSu Valley areas due to exploration licensing, shallow gas leasing and coalbed methane drilling, and conventional oil and gas drilling. If fully funded, this increment will result in the state receiving over \$10 million in delayed or deferred lease bonuses and potentially millions

of dollars of additional oil and gas royalty. This increment also would increase promotional efforts to bring new explorers into Alaska and allow the department to increase its efforts in support of opening up ANWR.

Funding this increment at \$193,000 will result in DNR funding the Petroleum Reservoir Engineer as opposed to the leasing positions because it would return the most revenue to the state. With the remaining funds, the department would look at filling a permitting/inspection position within the Division of Oil and Gas.

The need for the Petroleum Reservoir Engineer is due to the radical technical advancements in the oil and gas industry and the department's need to manage an ever-increasing number of oil and gas units (currently 42 statewide). The Division of Oil and Gas' ability to negotiate and protect its fair royalty share from production in these units is directly related to the ability to analyze complex reservoir data. Even a small change in the technical interpretation of one reservoir within one unit typically means the difference of millions of dollars. A Petroleum Reservoir Engineer would be dedicated to performing reservoir evaluation in support of approving and managing units and participating areas, royalty negotiations, paying quantities determinations, analysis of plans of development, and preparing for major North Slope gas sales. A Reservoir Engineer in this position should make the difference in millions of dollars to the state.

Under the Conference Committee's budget, remaining funds are adequate to only fund one permitter/inspector and associated operating expenses. Shallow gas leasing, exploration licensing and new oil and gas units in Cook Inlet and MatSu also need both permitting and field presence. Current efforts in Cook Inlet and MatSu are extremely limited due to staffing levels and North Slope priorities. Funding at the \$193,000 level means that the position will be funded, but that no funds are available to support travel or expenses while inspecting operations.

Even more significantly, the leasing program would continue to have delays with the associated millions of dollars of lost or deferred lease bonus and rental revenue. Programs, such as shallow gas leasing and exploration licensing, which bring in less immediate revenue would be drastically delayed. Last year, delays cost the state approximately \$10 million in deferred or lost revenue. These delays also have the potential to postpone exploration drilling and other exploration activities on state land.

Full funding for these additional positions is needed because of the success of our oil and gas leasing and licensing programs and the resultant new exploration and development activity. Full funding of these increments will bring in significantly more direct revenue to the state than the cost and will provide for better management of our invaluable oil and gas resources.

Royalty Valuation Increment

This increment provides the state with much needed commercial expertise to analyze pipeline tariffs paid on state royalty oil and gas transported on 16 regulated pipelines. The value of state royalty oil and gas is based on a net back value at the point of

production. The higher the tariff, the lower the netback. At stake are millions of dollars. For example on the Trans-Alaskan Oil Pipeline (TAPS) a one percent change in tariff (3.5 cents) makes a difference of \$2.8 million to the state treasury each year. Analyzing and negotiating tariffs is a very specific professional skill. In addition to the value of this position in ongoing royalty reopeners, these skills will be critical to the state when a North Slope gasline is constructed. Currently DNR lacks this expertise. The requested increment also provides for a needed support staff position and pays for five student interns. Funding the increment at the \$132,000 level means that only the analyst will be hired with no support staff or supporting student interns. The affect will be that more support work will be required to be done by higher paid professional staff, thus lowering their efficiency.

Program:	Dollar	Fund
Mining, Land & Water	Amount(s):	Source(s):
Claims, Permits, & Leases (\$110,000) and Title Acquisition (\$80,000)	(\$190,000)	General Fund

Impact Title: Eliminate funding for the Oil Safety & Development Initiative increment.

Impact Analysis:

The Conference Committee eliminated DNR's Oil Safety & Development Initiative increment in Mining, Land, & Water. The Department of Natural Resources had three increment requests (one in the Division of Oil and Gas and two in the Division of Mining, Land and Water) whose purposes are to maximize revenue from oil and gas leasing and production. Full funding of these increments will result in accelerating the issuance of leases, faster project permitting, and better onsite management of the state's oil and gas assets. If fully funded, these increments will result in the state receiving over \$10 million in delayed or deferred lease bonuses and potentially millions of dollars of additional oil and gas royalty. This increment also would increase promotional efforts to bring new explorers into Alaska and allow the department to increase its efforts in support of opening up ANWR.

Without the rest of the increment, the leasing program would continue to have ever increasing delays with the associated millions of dollars of lost or deferred lease bonus and rental revenue. Programs, such as shallow gas leasing and exploration licensing, which bring in less immediate revenue would be drastically delayed. Last year, delays cost the state approximately \$10 million in deferred or lost revenue. These delays also have the potential to postpone exploration drilling and other exploration activities on state land.

Full funding for these additional positions is needed because of the success of our oil and gas leasing and licensing programs and the resultant new exploration and development activity. Full funding of these increments will bring in significantly more direct revenue to the state than the cost of the increment and will provide for better management of our invaluable oil and gas resources.

Under the Conference Committee's budget, beyond funding the Reservoir Engineer the remaining funds are adequate to only fund one permitter/inspector and associated operating expenses. Not funded are the second permitter/inspector, which means either Cook Inlet/Mat-Su or the North Slope lacks the needed permitting and onsite management. On the North Slope, increased activity further from infrastructure (North Slope Foothills, NPRA, and Pt. Thomson) means an increasing Slope-wide permitting workload and field presence is required. Shallow gas leasing, exploration licensing and new oil and gas units in Cook Inlet and Mat-Su also need both permitting and field presence. Current efforts in Cook Inlet and Mat-Su are extremely limited due to staffing levels and North Slope priorities.

Program:	Dollar	Fund
RS2477/Navigability	Amount(s):	Source(s):
Assertions & Litigation Support	(\$300,000)	General Fund

Impact Title: Eliminate the Easement Management Increment.

Impact Analysis:

The Conference Committee did not fund this requested increment which would allow DNR to adequately respond to public requests to locate, relocate, and vacate RS 2477 and other easements. DNR has been underfunded in this area for years and our response to citizen's requests for action has been unacceptably slow. Furthermore, when we do respond it occurs at the expense of other income-producing work done by the Division.

Public demand for DNR action has dramatically increased since over 600 RS 2477s were listed in statute several years ago (AS 19.30.400-415). The division is experiencing a large number of requests to assert RS 2477s as well as other easements and rights-of-way, to define exact locations for previously asserted easements, and to review alternative routes or vacate existing easement routes altogether. The demand for staff time to resolve these issues is large, ever-increasing, and extremely under-budgeted. Issues needing resolution by DNR are focused in two areas: 1) conflicts among users and 2) requests for vacations and/or relocations of RS 2477 easements.

1. **USER CONFLICTS.** A significant and growing problem is the number of conflicts among users and landowners of the more than 650 known RS 2477 rights-of-way. Resolution is time consuming and any response by DNR takes staff away from those programs that are funded (such as leasing and permitting) and that typically derive revenues for the State. Without this increment, the public will not be served in terms of direct responses to their requests for assistance. Furthermore, if conflicts are not resolved, it is possible that easements will not be used and thereby put at risk the establishment of valid and continuous use of routes through private properties and federal withdrawals.

2. EASEMENT VACATIONS AND/OR RELOCATIONS. The law requires DNR to use great care in vacating an RS 2477 right of way and has certain conditions that must be met prior to approval of the vacation, such as adequate and constructed alternative access. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties to determine whether the route meets the RS 2477 criteria, how certain the physical location is, whether a survey or other location method needs to be performed, and whether a realignment can occur or if there is a need to vacate the easement altogether. Without this increment, response to easement vacations will be very slow, thereby exacerbating the continued conflict among users and landowners.

Program:	Dollar	Fund
Gas Pipeline Office	Amount(s):	Source(s):
	(\$204,400)	General Fund

Impact Title: Deny request for Gas Pipeline costs not eligible for reimbursement by applicants.

Impact Analysis:

The Conference Committee budget did not approve the Department of Natural Resources increment requests of \$204,400 for support of our Gas Pipeline Office, however \$150,000 was included in SB247, resulting in a \$54,400 projected shortfall. The purpose of our request was to fund those activities in the Gas Pipeline Office that are vital to maintaining the State's financial and other interests in the pipeline but are not eligible to be reimbursed by the industry. These activities are a continuation of those performed in FY02. In FY02 the state provided the GF for these activities through an appropriation with Legislative Budget & Audit.

Program:	Dollar	Fund
Gas Pipeline	Amount(s):	Source(s):
	(\$125,000)	General Fund

Impact Title: Deny funding for Gas Pipeline Contractual Expertise

Impact Analysis:

1. The Conference Committee did not fund \$75,000 for a requested North Slope Gas Pipeline Valuation Practices study. Currently, valuation for royalty purposes is governed by the terms of state leases, and valuation for tax purposes is governed by statutes and regulations. The Division of Oil and Gas, Dept. of Natural Resources, which sets and administers the royalty terms of state leases, wishes to retain a contractor to gather and analyze the royalty valuation provisions and practices used by other governments, such as Alberta, the U.S. federal government, Texas, Louisiana, Wyoming, Colorado, and Oklahoma.

The information from this study would be used in gasline negotiations initiated by the producers in 2001-2002. The impact of not funding this study will not be felt until gas flows through the gasline. From that day forward, the loss to the state could be substantial if valuation is too low or deductions are too high. For example, every \$0.10 per mcf difference totals \$20 million per year in additional state royalties.

2. The Conference Committee denied \$50,000 funding to the Gas Pipeline Office for the Department of Revenue to contract with experts on international oil and gas tax issues. Loss of this funding harms the state's ability to ensure Alaska's competitiveness among natural gas projects worldwide. This contract funding would be used to respond to industry requests for "fiscal certainty" regarding the application of state tax and royalty laws to commercialization of North Slope natural gas reserves. Without the assistance obtained through these contracts, the state will not be as well positioned to respond to industry requests for fiscal certainty, perhaps putting the state's best interests at risk in any negotiations.

**Department of Public Safety
Impact Statements in Response to
FY2003 Final Legislative Budget**

Date: May 28, 2002

Prepared by: Karen R. Morgan, Director, Administrative Services

The budget reduces the Department of Public Safety's general fund budget by \$4,295,400 from the Governor's amended request. This reduction includes \$1,200,000 in fund source switches from general funds to other funding sources, resulting in a net reduction of \$ 3,095,400.

Program:	Dollar Amount(s):	Fund Source(s):
Administrative Services	(\$1,018,300) 700,000	General Fund Municipal Bond Bank Earnings
Commissioner's Office	(\$95,200)	General Fund

Impact Title:

General reductions to Department of Pubic Safety administration that will impact all programs

Impact Analysis:

The FY2003 Budget reduces general funds to the Division of Administrative Services by over 1 million dollars and replaces \$700,000 of the cut with Municipal Bond Bank Earnings. These funds are most likely a one-time fund source and will require that the Division seek a fund source change in FY2004. Overall funding to the Division of Administrative Services was reduced by over 20% and the Commissioner's Office by almost 18%. This will impact centralized administrative and oversight functions in the department and will require over 75% of the cost to be shifted to public safety programs since necessary administrative support functions, such as payroll, recruitment and invoice processing cannot be eliminated.

At least 1 civilian position in Administrative Services will be eliminated and 2 recently vacated Alaska trooper positions in the Alaska State Trooper Division will be left vacant. Additional civilian positions in other divisions will also be eliminated or left vacant. Since three-fourths of the department's budget is made up of Alaska State Troopers and Fish and Wildlife Troopers, a significant portion of the reduction will be charged to those programs.

As a result, residents of the State of Alaska will see additional delays in the Troopers' ability to respond to reports of serious crimes. The Troopers will respond to only the most serious calls, including homicides, sexual assaults and other violent crimes. Patrols for drunk driving and other vehicle violations may be further reduced, endangering the public.

Protection of vulnerable fish and wildlife resources in the state will be reduced because Fish and Wildlife troopers will have to perform essential field activities and patrols that are now done by seasonal aides. Critical commercial and sport fisheries will not be adequately patrolled.

Additional impacts will be delayed response time to public requests for information and reduced support to public safety and fire safety programs.

Program:	Dollar Amount(s):	Fund Source(s):
Fire Prevention	(\$300,000) 75,000	General Fund Municipal Bond Bank Earnings

Impact Title:
Reduction of General Funds for Fire Prevention.

Impact Analysis

The FY2003 Operating Budget for the Division of Fire Prevention reduces general funds by \$300,000 and replaces them with building plan review fees that must be earned, one-time authority to carry forward excess building plan review revenues from FY2002 to FY2003, and one-time earnings (\$75,000) from the Municipal Bond Bank. These provisions will help offset some of the reduction in general funds in FY 2003. However, the Municipal Bond Bank funds are most likely a one-time fund source and will require Fire Prevention to seek a fund source switch in FY2004.

In order to earn the full amount of fees necessary to fully offset the general fund reduction in FY2003, Fire Prevention staff will be required to spend more time in the office reviewing plans and less time in the field proactively monitoring and preventing fire hazards. Further, this action by the Legislature essentially correlates the public's fire risk with the amount of new commercial construction in the state. Thus fire safety becomes increasingly dependent upon the state's economic conditions.

According to the most recent national statistics released by the Federal Emergency Management Agency, U.S. Fire Administration, Alaska leads the nation in civilian fire deaths, fire property loss, and civilian fire injuries per 1,000 fires. (www.usfa.fema.gov/nfirs/) Taking fire marshals out of the field to perform building plan reviews will:

1. Reduce the frequency of inspections of schools and other high occupancy buildings;
2. Reduce public education to children and adults on fire safety; and
3. Limit potential arson investigations to the most serious fires.

As a result the state can expect to see increases in the:

- Number of fires, and
- Severity of damage due to fire.

Program:	Dollar	Fund
Fish & Wildlife Protection	Amount(s): (\$154,600)	Source(s): General Fund

Impact Title:
Lack of Funding for FWP Fuel Costs

Impact Analysis

The lack of funding in the FY2003 Operating Budget for projected fuel costs increases of \$154,600, in addition to Fish and Wildlife Protection's \$72,900 share of central allocation costs, will significantly impact the ability of troopers to perform field activities. Enforcement vessels and aircraft will be taken out of service, up to 9 seasonal fish and wildlife aides will not be hired, and critical commercial and sport fisheries will not be adequately patrolled. Protection of vulnerable fish and wildlife resources in the state will be reduced because Fish and Wildlife troopers will have to perform essential field activities and other duties that are now done by seasonal aides.

Program:	Dollar	Fund
Village Public Safety Officer Program	Amount(s): (\$127,600)	Source(s): General Fund
(VPSO Administration Reduction \$90,000)		
(VPSO Support Vehicle Costs, Standby Pay \$29,600)		
(VPSO Administration Standby Pay \$8,000)		

Impact Title:
Reduction to Village Public Safety Officer Program

Impact Analysis

Residents of the State of Alaska will see further delays in the Troopers' ability to respond to reports of serious crimes in rural areas of the state due to the loss of at least 1 or more troopers and/or regional public safety officers. Impacts of these funding cuts will reduce the support and oversight provided to rural areas where law enforcement is provided by Village Public Safety Officers, and will require further reductions in response time by troopers to violent crimes in these areas.

Program:	Dollar	Fund
Public Safety Training Academy	Amount(s): (\$21,400)	Source(s): General Fund
(Facility Operations \$20,000)		
(Vehicle Rate Increases \$1,400)		

Impact Title:
Academy Reductions

Impact Analysis

The FY2003 Operating Budget does not include funding for increased operating costs for the Academy, and increased costs for vehicles. Four of the five corporals assigned to the Academy are new to their positions and need to receive specific instructor level training to become fully proficient in all required topics. The reduction would delay scheduled training for these newly assigned instructors resulting in a lower quality of instruction at the Public Safety Academy. These instructors are required to teach new municipal police officers as well as village public safety officers and trooper recruits. This will directly affect public safety in municipalities and villages across the state.

	Dollar	Fund
Program:	Amount(s):	Source(s):
Alaska State Troopers	(\$825,000)	General Fund

Impact Title:
Deny Funding for Child Abuse Investigators

Impact Analysis

The FY2003 Operating Budget does not include funding for 5 new Alaska State Troopers requested by the Governor to work exclusively on child abuse investigations. Without these additional troopers, an immediate response to these serious crimes is often not possible and the backlog of investigations involving sexual abuse, serious physical abuse and criminal exploitation of children will continue. The areas with the greatest current need for these investigators are Palmer, Fairbanks and Soldotna.

	Dollar	Fund
Program:	Amount(s):	Source(s):
Alaska State Troopers	(\$750,000)	General Fund

Impact Title:
Deny Funding for Avalanche Warning System/Public Education

Impact Analysis

The FY2003 Operating Budget does not include funding for the Governor's Avalanche Warning System Initiative. This will likely result in a continuing increase in the number of avalanche-related deaths as more Alaskans access the backcountry without proper training or warnings.

There have been 8 avalanche-related deaths from November 11, 2001 through mid-May 2002. Potentially lifesaving avalanche forecasting for high recreational use areas would have been accomplished under the Governor's proposal. Alaska Statute 18.76.010 directs the Department of Public Safety to develop and implement an avalanche warning system. If funding to establish the system is not provided, the statute should be repealed.

Program:	Dollar	Fund
Fire Prevention	Amount(s):	Source(s):
	(\$500,000)	General Fund

Impact Title:
Deny Funding for Oil Safety Initiative

Impact Analysis

The FY2003 Operating Budget does not include funding for 3 Deputy Fire Marshals in the Governor's Oil Safety & Development Initiative.

The Division of Fire Prevention is not currently doing an adequate job of monitoring the aging infrastructure of the oil and gas industry. Fire safety inspections of hazardous oil and gas production, storage, and maintenance facilities are conducted only upon receipt of a formal written complaint. Periodic inspections must be done to reduce the risk of serious injury to workers and the environment.

Department of Revenue
Impact Statement in Response to the FY2003 Final Legislative Budget
Date: May 23, 2002
Prepared by: Larry Persily, Deputy Commissioner

Program Area:	Amount(s):	Source(s):
Unallocated Reduction	(\$133,900)	General Fund Program Receipts

Impact Analysis:

The Tax Division will have to absorb most if not all of the Conference Committee's unallocated reduction of \$133,900 for the Department of Revenue. The Tax Division is the department's only all-General Fund and General Fund Program Receipts budget. Taking the unallocated cut in any other division or agency at Revenue would result in an additional loss of matching federal funds or a corresponding loss of money from shared funding sources. The \$133,900 unallocated reduction in the Tax Division will result in a reduced level of some services.

Department Transportation and Public Facilities
Impact Statements in Response to
Final FY2003 Budget
Date: June 4, 2002
Prepared by: DOT&PF Management
Contact: Nancy Slagle, Director Administrative Services

The final budget cuts are devastating. Direct services to Alaskans will be reduced significantly. The impacts shown here reflect the Committee's reduction from the Governor's budget of \$6,497,900. This represents a 6.2% general fund reduction.

Although the final budget identifies a \$385,600 increase over the current year, the increased costs of doing business associated with labor contracts, fuel, utilities, equipment maintenance and replacement, and airport maintenance contracts requires a substantial increase to the FY03 budget. These are fixed costs that are necessary to run this department at the current level of service. There were only two proposed increases in service requested in the Governor's request. They were for a new safety officer (\$52,000) and an increase in the damages recovery program (\$130,000 general fund/program receipts). These programs are designed to save the State money in the future by controlling the costs associated with Workers Compensation claims and recovering and repairing damages to our highway infrastructure caused by accidents.

To achieve these cuts in the final budget, the department was forced to reduce the service level in most areas. 3 maintenance stations will be closed, 70 permanent positions (including a Deputy Commissioner, equipment operators, administrative clerks and managers) will be eliminated. This means that some roads and airports will be maintained only during certain hours and others won't be maintained at all. Additionally over \$200,000 will be deleted from travel throughout the Department. This represents a 61% reduction in the Department's administrative travel budget. Maintenance reductions will result in further increasing the deferred maintenance backlog. Performance measures will be a helpful tool to measure reduced efficiency, effectiveness and service levels resulting from these budget cuts.

The final budget singled out North Kenai Maintenance Station, Northern Region Road Openings and Traffic Signal Management as preferential areas, and prohibits us from considering them for additional service level reductions. This approach is unfair to the rest of the state.

Program:	Dollar	Fund
Commissioner's Office	Amount(s):	Source(s):
	(\$116,300)	General Fund

Impact Title:
Eliminate Deputy Commissioner and Special Assistant and reduce administrative travel.

Impact Analysis:

This will cut a Deputy Commissioner and a Special Assistant. The elimination of such key positions in this department will have an effect on nearly every aspect of our programs. This reduction will leave the Commissioner, one Deputy Commissioner, and one special assistant to manage an approximate \$1 billion program and supervise over 3,000 employees.

A reduction of 10% to administrative travel is significant to a department with employees disbursed geographically across the state. Extensive travel is necessary for adequate supervision, constituency relations, meetings with legislators and their staff; and federal and local officials. This cut will severely restrict the Commissioner's and remaining Deputy Commissioner's ability to run the department.

Impact to Statutory Responsibilities:

All statutes pertaining to the responsibilities of the Department will be adversely impacted by these reductions.

Impact on Performance Measures:

The reductions will result in more time required to respond to complaints and questions that have been elevated to the Commissioner's Office and less time spent on monitoring divisions to determine if performance measures are being reached.

Program:	Dollar Amount(s):	Fund Source(s):
Highways & Aviation	(\$1,304,900)	General Fund

Impact Title:

Eliminate Maintenance on Various State Roads

Northern Region

Steese Hwy MP44 to Central & Close Montana Creek Maintenance
Station for Winter Months (\$180,000)

Eliminate Maintenance on Northern Region Roads (\$250,000)

Eliminate Maintenance on Ruby/Poorman Road (\$147,000)

Eliminate, Equip. & Overtime, Nome Highway Station (\$300,000)

Southeast Region

Eliminate Winter Maintenance of Category III roads (\$427,900)

Impact Analysis:

Eliminate Winter Maintenance on the Steese Hwy MP44 to Central & Close Montana Creek Maintenance Station for Winter Months (\$180,000): Three full time equipment operators will be reduced to summer seasonals and two dump trucks, a snow blower, and a pickup truck will be eliminated. Winter maintenance will be performed only locally between Central, Circle Hot Springs and Circle City.

The Steese Highway MP 44 to 120 has been kept open in the winter since the mid-1980's. The communities of Central, Circle Hot Springs and Circle City, all of which

have airports, will be affected. Impact will be significant to an area no longer accustomed to providing for heavy winter needs such as fuel. Several businesses in Central will be severely impacted.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs:

Montana Creek Station 54.3 to 90.5

Western Association of State Highway Transportation Officials (WASHTO) average
(average of several western states DOTs) 29.3

Eliminate Maintenance on Northern Region Roads (\$250,000): Maintenance would be eliminated on various Nome area roads, Dexter By-Pass, Glacier Creek, Osborne, Big Hurrah, Ophir Creek, Pilgrim Hot Springs, and Wooley Lagoon Roads. One full time position will be eliminated. One backhoe will be turned in. Eliminating maintenance on Western District roads will restrict access to active mining property, material sources, traditional hunting sites and seasonal cabins.

Maintenance will also be eliminated on the Denali Highway, Fairbanks Creek, Faith Creek, Sourdough Creek, Eagle Creek, Miller/Harrison Creek, Porcupine Creek, Eureka Road, and Tofty Road. Two seasonal equipment operator will be eliminated, one in Cantwell and one in Paxson. Two graders will be turned in. Other savings will come from a reduction in the purchase of fuel, cutting edges, chains and parts. Road washouts will occur if culverts are not thawed. Miners, tourists, homeowners, and businesses will be affected.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs:

Nome Station 37.0 to 37.2

Montana Creek Station 54.3 to 90.5

Cantwell Station 48.1 to 31.6

Paxson Station 50.6 to 47.1

WASHTO average 29.3

Eliminate Maintenance on Ruby/Poorman Road (\$147,000): Ruby/Poorman Road has numerous cabins and residences along the road south from Ruby on the Yukon River at mile 7, 25, and 27. Several small mining operations are active along this road. The road will deteriorate fairly rapidly following elimination of maintenance. The Department will only maintain the Ruby Airport. One dozer, one dump truck, and one pickup truck will be eliminated and the cost of the maintenance contract will be cut approximately in half. Savings will be in equipment (\$73,000), maintenance contract (\$44,000), and fuel (\$30,000).

Eliminate, Equipment and Overtime, Nome Highway Station (\$300,000): . Eliminate one grader, one snow blower, one tractor/trailer, two pickups and one dozer. Reduce overtime by \$45,200. The impact will be slower response time on Nome area roads.

Once equipment is turned in, it is expensive or impossible to add back. Secondary impact will be further reduction of one mechanic position in Nome.

Impact on Performance Measures:

Lane miles by Operator before and after layoffs:

Nome	37.0 to 37.2
WASHTO average	29.3

Eliminate winter maintenance of Southeast Category III roads (\$427,900): With the elimination of equipment operator positions in Gustavus (1PT), Haines (1FT, 1PT), Juneau (1FT), Skagway (1FT, 1PT), Klawock (1FT), and Ketchikan (convert 1FT to PT) winter snow removal will be discontinued and year round maintenance will be reduced on 170 lane miles of highways in Southeast communities. Summer maintenance will be scaled back and travelers will notice degradation of the highways.

These Category III roads are:

<u>Gustavus</u> -	Airport Road, Harbor Road
<u>Yakutat</u> -	Bayview Drive, Lost River, Monti Bay
<u>Haines</u> -	Lutak Road, Mud Bay, Allen Road, Comstock Road, Beach Road, Front Street, Lutak Spur, Menaker Road, Mosquito Lake, Piedad Road, Sawmill Creek, Small Tract
<u>Petersburg</u> -	Crystal Lake Road, Falls Creek Road, Old Mitkof Hwy. Papkes Landing, Scow Bay Loop Road
<u>Sitka</u> -	Eagle Way
<u>Skagway</u> -	Sanitorium Road
<u>Ketchikan</u> -	Cemetery Road, Cranberry Road, D-2 Loop, Knudson Cove, Knudson Spur, D-1 Loop, North Pt. Higgins, North Pt. Higgins Spur, Old South Tongass, Pond Reef Ext., Pond Reef Circle, Pond Reef Road, Potter Road, Power House, Roosevelt Spur, Shoreline Drive, South Pt. Higgins, South Pt. Higgins Spur, Sunset Drive, Totem Bite, Whipple Creek, White Road Spur, Wood Road
<u>Juneau</u> -	Auke Nu, Montana Creek, Nine Mile Creek, Otter Way, Skater's Cabin, Point Stevens Road, Point Stevens Spur Rd., Chilkat Road, Engineers Cutoff, Channel Vista Drive
<u>Kake</u> -	City Dock Road, Boat Harbor Road

Impact on Performance Measures:

Lane miles by Operator before and after layoffs:

Gustavus Station	30.2 to 49.1
Haines Station	38.9 to 51.7
Juneau Station	23.7 to 26.1
Ketchikan Station	53.1 to 65.3
Klawock Station	64.8 to 81.0
Skagway Station	12.1 to 14.8
WASHTO average	29.3

Program:	Dollar Amount(s):	Fund Source(s):
Northern Region Road Opening	(\$10,000)	General Fund

Impact Title:

Reduce Seasonal Road Opening Costs on Northern Region Roads

Impact Analysis:

Personnel and equipment costs of opening of various Northern Region Roads will be restricted to budgeted amount. This impact is a result of distributing the unallocated reduction in the Commissioner's Office.

Program:	Dollar Amount(s):	Fund Source(s):
North Kenai Maintenance Station	(\$15,000)	General Fund

Impact Title:

Reduce Materials & Supplies North Kenai Station

Impact Analysis:

The final budget identifies this to be a higher priority maintenance station than the other 83 stations statewide. We will reduce orders for sand, salt, grader blades, and tire chains, which will result in a reduced level of winter road maintenance (sanding, etc). This impact is a result of distributing the unallocated reduction in the Commissioner's Office.

Program:	Dollar Amount(s):	Fund Source(s):
Highways and Aviation	(\$2,183,200)	General Fund

Impact Title:

Reduce Maintenance on Various State Roads

Central Region

Reduce Contracted Snow Haul in Anchorage (\$200,000)

Reduce personnel, equipment, supplies at Willow Maintenance Station (\$200,000)

Layoff of Equipment Operators (\$235,200)

Turn in additional SEF Equipment (\$216,500)

Northern Region

Elliott Highway from Livengood to Manley and Minto (\$66,800)

Eliminate Positions & Equipment in Interior District (\$588,900)

Reduce Summer Overtime and Summer Seasonals (\$70,000)

Eliminate Positions, Supplies and Equip. Southcentral District (\$506,500)

Southeast Region

Reduce Maintenance of Various Southeast Highways (\$74,100)
Turn in two dump trucks and one road grader (\$25,100)

Impact Analysis:

Reduce Contracted Snow Haul in Anchorage (\$200,000): The average annual snow hauling cost in the Anchorage Bowl is approximately \$600,000. The cost of one complete snow haul is approximately \$100,000. We will eliminate the equivalent of two complete snow hauls per year and establish a firm annual cap of \$400,000 on snow hauling.

The impact will be that more snow will accumulate on the sidewalks and pathways. The increased amount of snow may impair the sight distance at intersections and pedestrians' ability to use the sidewalks. The accumulation may also result in increased spring snow melt flowing across the road creating additional pot holes and causing icing during nightfall. The routes that will primarily be affected are Dimond Blvd, Muldoon/Tudor Road, Northern Lights, Benson Blvd, Fireweed Lane, Gambell/Ingra, and A-C couplet among others.

Reduce positions, equipment and supplies at Willow Maintenance Station (\$200,000): The Willow Maintenance Station is located on the Parks Highway. It costs approximately \$696,000 per year to operate including the cost of temporary office and storage facilities. Year round maintenance will be significantly reduced. Snow and ice control will be delayed resulting in more snow on the roads, longer travel times and reduced speeds.

This action will have the following consequences.

- 1) Two equipment operators will be laid off.
- 2) The Parks Highway MP 52 to MP 99 will be maintained by only two operators.
- 3) During the winter, commercial truck traffic and the motoring public will be impacted by slower response times for snow removal and ice control. Also, snow removal at the Willow Airport will not be done until the Parks Highway is clear.
- 4) Residents of Palmer, Willow, and Chulitna will have to wait approximately 24 to 36 hours longer after snowstorms until areas are plowed.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs

Willow Station 55.9 to 86.85

WASHTO average 29.3

Layoff Central Region Equipment Operators (\$235,200): The following operators will be laid off:

	Operators Before	Operators Eliminated	After
2 PFT operators in Anchorage	33	2	31

1PPT operator in Girdwood	8	1	7
1 PFT operator in Homer (airport)	10	1	9

The impact of these layoffs will be a significant delay in response time for snow removal, road repairs and other maintenance activities.

Impact on Performance Measures:

Lane Miles per Operator before and after layoffs:

Anchorage Station	30.0 to 32.2
Girdwood Station	28.7 to 34.6
Homer Station	40.1 to 52.0
WASHTO average	29.3

Turn in additional SEF Equipment (\$216,500): The following equipment will be turned in:

1 grader in Anchorage
 1 grader in Palmer
 1 grader in Soldotna
 miscellaneous equipment from all districts (\$89,100)

This reduction in equipment corresponds to the additional reductions in maintenance staffing at other locations in Central Region and the need to absorb \$94,500 in budget reductions assessed to Maintenance and Operations (M&O) facilities to cover increased utility and operations costs for Anchorage M&O maintenance facilities.

Reduce Winter Maintenance on the Elliott Highway from Livengood to Manley and Minto (\$66,800): One full-time equipment operators in Manley will be reduced to seasonal. Snow plowing times will be delayed resulting in more snow on the highways, increased travel times and reduced travel speeds.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs:

Livengood Station	48.2 to 62.1
WASHTO average	29.3

Eliminate Positions & Equipment in the Interior District (\$588,900): Maintenance will be reduced on most Interior District Highways such as the Parks, Richardson, Elliott and the lower portion of the Dalton Highway south of Coldfoot. Five equipment operators will be laid off , one operator on the Dalton Highway at Livengood and one operator at Jim River, and three operators on the Parks Highway (Nenana, Healy, and Cantwell). An additional full time employee will be reduced to seasonal in Fairbanks. One grader and one brushcutter will also be eliminated. With significant reduction in equipment use, a reduction in State Equipment Fleet mechanics will follow. Three mechanics will be laid off.

Snow removal and ice control operations will experience the largest impacts. There will be an increased response time on all roads. Fairbanks area lower priority roads will see an increase of 24 to 48 hour response time after each snow event. Pedestrian facilities will also be impacted by the longer response times. Summer maintenance operations such as pothole repair, sign repair, brush control, sweeping, drainage work, and fence repair will also be reduced.

Impact on Performance Measures:

Lane Miles per Operator before and after layoffs:

Dalton Highway

Jim River Station	27.6 to 34.4
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Denali Area

Cantwell Station	48.1 to 30.8
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Healy Station	45.5 to 56.9
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Livengood Station	48.2 to 62.1
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Fairbanks Area

Montana Creek Station	54.3 to 90.5
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WASHTO average	29.3
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Reduce Summer Overtime and Hiring Back Summer Seasonals Interior District

(\$70,000): Summer seasonal employees will not be rehired unless work is funded by capital project funds. Deferred maintenance will continue to grow. Sign replacement, brush control, pavement repairs, street sweeping, mowing, fence repair and cleaning drainage structures will all be reduced and delayed.

Eliminate Positions, Supplies and Equipment Southcentral District (\$506,500):

Eliminate one full time position at Cordova Station. Eliminate one seasonal position at Valdez Station. The roadways will not be able to be cleared as quickly as a decreased workforce will still maintain core urban areas and critical locations such as Thomson Pass and airports. In commodities, a 40% reduction is proposed for the use of ice control chemicals on our highway and airport system. Eliminate snow removal equipment. The impact will be more airport runway closures, delays and reduced travel speeds on the highway system. Eliminate one full time position in Nelchina and one seasonal from Northway.

Snow removal and ice control operations will experience the largest impacts.

Impact on Performance Measures:

Lane miles by Operator before and after layoffs:

Cordova Station	36.0 to 42.0
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Valdez Station	17.3 to 19.2
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Nelchina Station	38.4 to 49.3
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Tok Station	59.0 to 63.
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Northway Station 34.4 to 39.7
WASHTO average 29.3

Reduce maintenance of selected Southeast highways (\$74,100): The state will significantly reduce year round maintenance on the following roads: Juneau Glacier Highway Mile 26 to end of road, Hoonah airport road, Skagway – Dyea Road. An operator in Hoonah will be eliminated. Overtime will be reduced in Juneau and Skagway.

Snow removal response times will increase and communities will experience more snow on the highways. The speed limits may have to be lowered during winter driving conditions. There will be less snow removal on weekends.

Maintenance of the state highways in Angoon, Hyder and Kake will be reduced. The State will continue to contract with the communities albeit at a reduced level. Snow removal response times may increase.

Impact on Performance Measures:

Lane miles by Operator before and after layoffs:

Hoonah Station 9.9 to 19.7
WASHTO average 29.3

Turn in two dump trucks and one road grader (\$25,100): Two dump trucks and one road grader will be returned to SEF and will no longer be available to perform highway maintenance. Winter maintenance of highway intersections and turn lanes will be delayed in Juneau. Ditching and drainage improvements in Ketchikan will be deferred.

Program:	Dollar Amount(s):	Fund Source(s):
Highways and Aviation	(\$892,800)	General Fund

Impact Title:

Close Maintenance Stations at:

Central Region

Ninilchik Maintenance Station (\$386,100)

Northern Region

Birch Lake Maintenance Station (\$135,000)

Chitina Maintenance Station (\$371,700)

Impact Analysis:

Ninilchik Maintenance Station (\$386,100): The Ninilchik Maintenance Station on the Sterling Highway costs approximately \$402,200 per year to operate. All equipment will be turned in with the exception of one loader that will be needed to access the sand pile. The utility savings to the facilities component will be \$4,300. The loader costs approximately \$16,100 annually. Net savings to the H&A component will be \$386,100.

The impact of this action will have the following consequences:

- 1) Four equipment operators will be laid off.
- 2) The level of service (snowplowing, sanding, etc.) to this area will be delayed until the Homer and Soldotna station equipment operators can make it to this location.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs

Homer Station 40.1 to 58.0

Soldotna Station 51.9 to 63.3

WASHTO average 29.3

Birch Lake Maintenance Station (\$135,000): The Birch Lake Maintenance Station on the Richardson Highway will require one equipment operator will be laid off and one relocated to Fairbanks. A dump truck, a loader, and a grader will be turned in. Fairbanks and Delta maintenance stations will share the responsibility for an additional 53 miles. The level of service will be reduced and response time for storm events will increase on the Richardson Highway in the area of Birch Lake. Impacts include road closures, increased delays and reduced legal speed limits.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs:

Fairbanks Station 38.4 to 48.5

Delta Station 72.2 to 78.8

WASHTO average 29.3

Chitina Maintenance Station (\$371,700): Complete closure of the Chitina Station on the Edgerton Highway will result in elimination of two full time and one seasonal position. Eliminate grader, truck, loader and associated consumables. Station closure will have a significant impact to the Edgerton Highway, Village of Chitina, Kenny Lake School District and the Chitina dipnet fishery. Maintenance will be performed from the Ernestine Station resulting in delayed response to winter storm events, limited routine summer maintenance and elimination of calcium chloride for dust control.

Impact on Performance Measures:

Lane miles per Operator before and after layoffs:

Ernestine Station 35.2 to 56.2

WASHTO average 29.3

Program:	Dollar	Fund
Facilities	Amount(s):	Source(s):
	(\$110,200)	General Fund

Impact Title:

Close Maintenance Stations

Northern Region

Birch Lake Maintenance Station (\$50.0)

Chitina Maintenance Station (\$60.2)

Impact Analysis:

Birch Lake Maintenance Station (\$50,000): Closure will result in damage to the building structure and equipment.

Chitina Stations (\$60,200): Reduce one full-time position to seven month seasonal position and eliminate the Chitina generator that supports other buildings of the region. Closure of the Chitina Camp will eliminate fuel and parts for this camp.

Program:	Dollar Amount(s):	Fund Source(s):
Highways and Aviation	(\$152,400)	General Fund

Impact Title:

Eliminate or Reduce Maintenance at Airports

Central Region

Eliminate maintenance at airports adjacent to highways (\$42,500)

Shut off Skwentna Airport Lighting (\$36,700)

Northern Region

Eliminate Maintenance at Northern Region Airports (\$73,200)

Impact Analysis:

Eliminate maintenance at airports adjacent to highways (\$42,500): The following Central Region airports are relatively low volume airports located adjacent to highways where transportation to and from communities can be provided by alternate modes: Kasilof (\$8,000), Ninilchik (\$10,000), Quartz Creek (\$3,000), Lawing (\$10,000), Goose Bay (\$10,000), and Sheep Mountain (\$1,500). We will discontinue both winter and summer maintenance at these airports. Medical evacuation flights will be limited to helicopters only.

Shut off Skwentna Airport Lighting (\$36,700): In 2001, the Matanuska-Susitna School District closed the school at Skwentna. Prior to its closing, the school provided electricity for runway lights at Skwentna Airport. After the school closed, the cost to operate the generators and supply electricity to the Skwentna Airport was transferred to DOT&PF.

The impact of not lighting the airport will be that flights and medivacs will not be able to fly to Skwentna when it is dark.

Eliminate Maintenance at Northern Region Airports (\$73,200) Eliminate airport maintenance at Clear, Chistochina, Circle, Circle Hot Springs, Wiseman, Dahl Creek, Summit, Boundary, Livengood, Salmon Lake, Copper Center and Tazlina.

These airports are either on the road system or there is no community associated with them. They are scattered throughout Northern Region and they are low use airports used mainly by hunters, tourists, and local residents. There may be requirements to perform minimum maintenance on them due to federal grant assurances.

	Dollar Amount(s):	Fund Source(s):
Program: Central Region Facilities		

Impact Title:
Transfer of Utilities and Fuel to Highways and Aviation

Impact Analysis:
Facilities section can no longer pay all of the building utility bills. Therefore, the responsibility for paying \$94,500 in heating fuel and utility costs for various Central Region maintenance stations will be transferred to Central Region Maintenance & Operations, Highways & Aviation. This added expense on the Highway and Aviation component will reduce direct maintenance and operating activities of highways and airports, such as snow removal.

	Dollar Amount(s):	Fund Source(s):
Program: Northern Region Facilities		

Impact Title:
Transfer of Utilities and Fuel to Highways and Aviation

Impact Analysis:
Facilities section can no longer pay all of the building utility bills. Therefore, the responsibility for paying \$112,000 in heating fuel and utility costs for various Northern Region maintenance stations will be transferred to Northern Region Maintenance & Operations, Highways & Aviation. This added expense on the Highway and Aviation component will reduce direct maintenance and operating activities of highways and airports, such as snow removal.

	Dollar Amount(s):	Fund Source(s):
Program: Southeast Region Facilities		

Impact Title:
Transfer of Utilities and Fuel to Highways and Aviation

Impact Analysis:
Facilities section can no longer pay all of the building utility bills. Therefore, the responsibility for paying \$151,500 in heating fuel and utility costs for all Southeast

Region maintenance stations (except Juneau) will be transferred to Southeast Region Maintenance & Operations, Highways & Aviation. This added expense on the Highway and Aviation component will reduce direct maintenance and operating activities of highways and airports, such as snow removal.

Program:	Dollar	Fund
Facilities	Amount	Sources
	(\$722,500)	General Fund

Impact Title:

Eliminate or reduce maintenance of state facilities

Central Region

Eliminate lawn maintenance, window washing & reduce janitorial services (\$133,900).

Eliminate two positions and three vehicles (\$148,500)

Reduce maintenance parts and supplies (\$155,700)

Northern Region

Montana Creek Winter Closure (\$45,000)

Cold Shutdown of the Old Fairbanks Courthouse (\$224,400)

Close Inbound/Outbound Richardson Hwy Weigh Stations (\$15,000)

Impact Analysis:

Eliminate lawn maintenance, window washing & reduce janitorial services (\$133,900):

Funds typically spent on contracted services will have to be reallocated to cover rising utility and heating fuel costs. This reallocation will force the elimination of basic contracted services.

Eliminate lawn maintenance at the following locations:

DOT&PF Aviation Building

Annex on Tudor Road

Kodiak Combined Facility

Kodiak Region Office

Kodiak Griffin Building

Eliminate window washing at the following locations

Anchorage Boney Court Building,

DOT&PF Aviation Building

Public Safety Building

Statewide Materials Buildings

Anchorage Highways Building

Anchorage Communications Building

Anchorage SEF

Annex on Tudor Road

Janitorial services will be reduced from 5 days per week to 3 days per week at the locations shown below. Only the very basic sanitation services will still be performed (i.e. trash emptied and restrooms cleaned).

Annex Building on Tudor Road
DOT&PF Aviation Building
Anchorage SEF
Bethel Combined Facility
Anchorage Boney Court Building
Anchorage Communications Building
Kenai Combined Facility
Kodiak Combined Facility
Kodiak Griffin Building
Kodiak Regional Office
Palmer SEF
Anchorage Public Safety
Soldotna SEF
Statewide Materials Facilities
Anchorage Highways Building.

Under AS 35.10.170, it is the duty and responsibility of the Department of Transportation and Public Facilities to construct, maintain and operate public facilities.

Eliminate two positions and three vehicles (\$148,500): Funds typically spent on wages and vehicles will have to be reallocated to cover the increase in utility and heating fuel costs.

One maintenance journey position and one procurement specialist position, a special high-reach electrical truck, and two general purpose vehicles will be eliminated. Life of the facilities will be significantly reduced and ultimately will render the facilities unsafe and unusable for their intended purpose. These additional reductions will increase the deferred maintenance and ultimately cost the state more money when the facility has to be replaced due to neglect.

Under AS 35.10.170, the Department of Transportation and Public Facilities is responsible for maintenance and operation of public facilities. Central Region Facilities is inadequately funded for maintaining 202 facilities.

Reduce maintenance parts and supplies (\$130,000): Insufficient funding to cover the increase in utility and heating fuel costs will force a 43% reduction in purchasing maintenance parts and supplies. Numerous facilities will not receive any maintenance.

Montana Creek Winter Closure (\$45,000): This station consists of a shop, two generator buildings, and a bunkhouse. All equipment would need to be removed or secured. All structures will be impacted by frost heaves and contraction when left

unheated. The remote location of this station will make it extremely vulnerable to vandalism and theft.

Cold Shutdown of the Old Fairbanks Courthouse (\$224,400): Currently the only occupants of the Fairbanks Courthouse is the District Attorney's office and the Youth Court. The DA's office will need to vacate the 6,400 square feet of the building that they occupy, requiring them to lease space. Assuming a lease rate of \$1.75 per square foot, \$11,200 per month or \$134,400 will be transferred to cover replacement lease space. \$20,000 will be retained by Facilities to maintain the exterior of the building and the shutdown of the building systems. Two full-time positions assigned to this building will be eliminated. The impact to the public will be minimal.

Close Inbound and Outbound Richardson Highway Weigh Stations (\$15,000): The buildings are being removed as part of a highway construction project. It is currently planned to replace these weigh stations with a single facility in late 2003 or 2004. Impact to the public should be minimal.

Program:	Dollar Amount(s): (\$77,100)	Fund Source(s): General Fund
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Impact Title:
Unallocated Reduction.

Impact Analysis:
The distribution of this additional unallocated reduction has not yet been determined. It could impact one program or be spread throughout several programs.

Program: Contracting, Procurement and Appeals	Dollar Amount(s): (\$19,700)	Fund Source(s): General Fund
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Impact Title:
Eliminate Administrative Clerk

Impact Analysis:
The only Administrative Clerk position will be eliminated. This will force the professional staff to neglect core duties and perform administrative tasks

Impact to Statutory responsibilities:
Reduce the ability to meet and comply with federal and state requirements. This includes the Procurement Code, AS 36.30.015(a) Sister Agency delegation of authority, and construction contracting authority; AS 36.30.0915(b) delegated authority for procurement of services and supplies

Impact on Performance measures:

It will impact the percentage of protests and claims appealed to Commissioner that are overturned by the courts especially if they can not be completed timely.

Program:	Dollar	Fund
Equal Employment and Civil Rights	Amount(s):	Source(s):
	(\$17,100)	General Fund

Impact Title:
Reduce travel and contractual services

Impact Analysis:

A \$5,000 reduction to travel will impact the department's ability to maintain current information and contacts on the Disadvantaged Business Enterprise (DBE) program and Training Special Provisions for Highway and Airport projects.

A \$12,100 reduction to contractual services will delay full implementation of the Biztrak payment tracking system to comply with record keeping requirements of 49 CFR Part 26. This will compromise the department's ability to accurately track annual DBE achievement. States found by FHWA to not be tracking these achievements could have funding suspended on existing projects.

Impact to Statutory responsibilities:

This reduction will put the department in the precarious position of not having fully implemented the requirements of the 49 CFR Part 26.

Program:	Dollar	Fund
Statewide Administrative Services	Amount(s):	Source(s):
	(\$107,900)	General Fund

Impact Title:
Eliminate Safety Officer and Administrative Clerk, reduce administrative travel and spread cost of officials insurance bond across department.

Impact Analysis:

This eliminates the Safety Officer requested in the FY03 Governor's request. Each year DOT&PF spends approximately \$2 million in workers compensation claims. These risks need to be examined with emphasis placed on safety in the workplace, and business needs to be changed to reduce those risks and improve productivity. Without this position to monitor and promote workplace safety, workers compensation will continue to increase.

This reduction will eliminate one of three administrative clerks that support the entire division. Greater amounts of clerical tasks will be spread amongst the other staff reducing their ability to effectively do their jobs. The department's risk management officials bond will be shared throughout the department thus providing an additional

burden to the department programs. A reduction of administrative travel by the division director and the human resources manager will result in less regional staff oversight.

Program:	Dollar	Fund
Statewide Information Systems	Amount(s):	Source(s):
	(\$70,100)	General Fund

Impact Title:

Eliminate analyst/programmer, reduce professional services in contractual/training and reduce administrative travel

Impact Analysis:

Maintenance activities of the Management Reporting System and the Taxable Travel System will occur at reduced levels. It will take longer for routine maintenance and enhancements may not be provided. The Management Reporting System is used by the entire Department to track the progress and financial status of all construction projects. The inability to update that program to keep it running and to improve its capabilities to meet federal reporting requirements is critical. The Taxable Travel System is used to determine any taxation required by the IRS on travel payments. This was an efficiency measure introduced a few years ago that, if not maintained, can result in intensive labor and be subject to errors.

Program:	Dollar	Fund
Regional Administrative Services	Amount(s):	Source(s):
	(\$99,100)	General Fund

Impact Title:

Eliminate an Accounting Clerk and an Accounting Technician

Impact Analysis:

The Accounting Clerk pays the State Equipment Fleet bills, petty cash reimbursement requests, training invoices, and invoices from vendors which start with the letter G through L. Since none of the tasks can be eliminated, deleting this position will force the workload onto other accounting clerks who already have a full workload. Payment time to vendors will increase by an estimated one to two days.

The Accounting Technician ensures that the accounting and payroll systems interface correctly for the entire department. Without constant monitoring, costs will not post back to the correct budget unit or employee pay corrections will not be made, with possible consequences of additional pay problems. Another job duty is collecting rent from employees who use state provided housing. Eliminating this position will result in a loss of revenue. During the summer, this position moves costs from the Highway and Aviation Maintenance units to federal capital projects. Without these transfers, eligible federal funds will be lost and state maintenance needs will not be covered.

Impact on Performance measures:

May increase the average number of days before vendor payments are made.

Program:	Dollar	Fund
Central Region Support Services	Amount(s):	Source(s):
	(\$42,900)	General Fund

Impact Title:
Layoff one Administrative Clerk

Impact Analysis:
To absorb this funding reduction, an administrative clerk position will be eliminated. Without this position, many basic procurement functions such as preparing delivery orders and processing invoices will be delayed. Work will need to be reassigned to existing personnel who already have full workloads.

Impact on Performance measures:
Additionally, layoff of this position will affect the section's ability to meet their FY03 performance measure delaying the time it takes to process a purchase request before the order is placed.

Program :	Dollar	Fund
Northern Region Support Services	Amount(s):	Source(s):
	(\$49,000)	General Fund

Impact Title:
Reduce procurement staff (\$43,800) and reduce administrative travel (\$5,200).

Impact Analysis:
Eliminate seasonal positions in Nome and Valdez Procurement offices and reduce budgeted overtime for Procurement offices for total Personal Services savings of \$43,800. This represents a 16% reduction in procurement staffing.

Reduced staffing during peak performance season for processing of the supporting stock requests for road, bridge and building materials for Maintenance & Operations and Construction may cause some projects to be delayed. Follow up actions to the vendors to establish firm delivery timeframes may suffer and M&O and Construction project managers may not be able to establish firm work schedules. Procurement documents may not be processed expeditiously as required by AS 37.05.285

A reduction of \$5,200 represents approximately 40% of the component's travel budget. Because this is an administrative support component by definition, virtually no travel is directly related to project design or construction or direct maintenance activities. The component will not be able to provide hands-on training in new technologies. The Regional Director will have limited ability to travel to enhance community cooperation and involvement in transportation issues, and limits his role as liaison between the department and other agencies and the public.

Program: Southeast Support Services	Dollar Amount(s): (\$28,900)	Fund Source(s): General Fund
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Impact Title:
Eliminate Stock & Parts Services Sub Journey

Impact Analysis:

A warehouse employee currently will be laid off. This position puts stock away, pulls orders and drives trucks. Vessel supplies, including laundry, would not be delivered to the Auke Bay Ferry Terminal on schedule. Vessel sailings will be adversely affected.

Program: Statewide Aviation	Dollar Amount(s): (\$25,900)	Fund Source(s): General Fund
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Impact Title:
Eliminate Leasing Officer

Impact Analysis:

This position is responsible for the state air carrier insurance program and assisting the Statewide Leasing Coordinator with development and implementation of the Title 17 regulations. Other staff will need to assume the air carrier mandatory insurance certification duties, in addition to their normal duties. This will reduce the time available for the other staff's normal duties and provide a reduced level of service to air carrier operators, who must obtain the mandatory insurance certificate in order to legally operate their business.

Impact to Statutory responsibilities:

Title 17 regulations for 262 state-managed airports will become effective March 28, 2002. Implementation of these regulations will be very staff-intensive and delayed without the assistance of the Leasing Officer. There may be a delay in developing guidelines for the types and limits of insurance coverage required for aviation related leases, permits, or concession contracts and is necessitated by new legislation which added subsection (g) to AS 02.15.090 Operation and Use Privileges (Airports). There may also be a delay in repealing the business activity permit section of the International Airport Regulations and creating suitable replacement language. The Alaska Air Carriers Association petitioned to repeal 17 AAC 42.105(a)(1).

Program: Statewide Planning	Dollar Amount(s): (\$5,400)	Fund Source(s): General Fund
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Impact Title:
Reduce contractual services

Impact Analysis:

Reduction in contract amounts for professional services and consultants that conduct special studies and public hearings for the division. This will have a small impact on Public hearings and special studies.

Program:	Dollar	Fund
Central Region Planning	Amount(s):	Source(s):
	(\$6,200)	General Fund

Impact Title:

General Fund reductions in Non Personal Services

Impact Analysis:

Administrative travel will be reduced by 50%. Repairs to office equipment will be reduced resulting in delays completing transportation studies and other planning efforts. Upgrading computer hardware and software will be deferred. Outdated computer technology will adversely impact the Department's ability to complete the federal planning, programming, and data collection tasks required to obtain federal transportation funding.

Program :	Dollar	Fund
Northern Region Planning	Amount(s):	Source(s):
	(\$3,300)	General Fund

Impact Title:

Reduce travel for community need assessment

Impact Analysis:

This represents a 25% reduction to travel budget. Eliminate any non-project related travel to review community project needs. Community interaction is a major goal of this component and required by AS 35.10.100.

Program :	Dollar	Fund
Southeast Region Planning	Amount(s):	Source(s):
	(\$700)	General Fund

Impact Title:

Reduce field travel

Impact Analysis:

This represents a 26% reduction in field travel to project sites and community coordination. Community interaction is a major goal of this component and required by AS 35.10.100.

Program:	Dollar	Fund
Design & Engineering Services	Amount(s):	Source(s):
	(\$101,200)	General Fund

Impact Title:
 Reduce Travel, Training and Conferences
 Statewide (\$48,000)
 Central (\$21,400)
 Northern (\$14,400)
 Southeast (\$17,400)

Impact Analysis:
 As the core technical branch of the Department, knowledge, education and training are central elements of the service we provide to Alaska's citizens and communities. This cut will reduce our ability to provide sufficient training and education for our staff. We have high standards for our employee's performance in complex technical fields. The public expects a degree of technical competence from their core engineering staff that can only be provided through ongoing training and education.

Program:	Amount(s):	Source(s):
Central Region Construction & CIP Support	(\$11,600)	General Fund

Impact Title:
 Reduce Travel and Contractual Funding for Support Staff Training and Service/maintenance Contracts on Office Equipment

Impact Analysis:
 Managers occasionally travel to professional engineering training and conferences in Alaska and the continental U.S. We will reduce professional engineering training/conference trips to absorb this funding reduction. This will impact our ability to stay current on engineering developments and techniques that could enhance the safety and cost effectiveness of our highways, airports, and buildings program.

The construction program in Central Region has increased more than 40 percent since the passage of TEA -21 in 1998 with no additional general fund authority. Reduced support staff training leads to inefficiencies as staff are not able to keep up with technology changes. Reduced service/maintenance contracts will result in a short-term savings, however, increased costs are likely to be incurred in later years when the equipment breaks down.

Program:	Dollar	Fund
Northern Region Construction & CIP Support	Amount(s):	Source(s):
	(\$14,400)	General Fund

Impact Title:

Reduction of Project Engineer training (\$11,900) and non-field related Travel (\$2,500)

Impact Analysis:

Training and administrative travel are not allowed as direct charges to federal construction projects. The reduction of \$11,900 of General Funds will reduce project engineering training. Project engineering training is necessary for the interpretation of project specifications and project management skills needed to effectively manage our federal construction programs.

A reduction of \$2,500 represents 10% of the total Travel budget and eliminates all funding for administrative and non-project related travel. Administrative travel is necessary to maintain consistent project management standards within the Department and the Region. Administrative engineering managers assess the Region's progress throughout the construction season in meeting deadlines and timeframes and assist in planning and identifying future projects by reviewing current road and community growth conditions. Travel to conferences and meetings keep the department's managers up to date on current trends and technologies, best practices and transportation related innovations.

This will impact the key performance measure of keeping contract administration costs within 15% of the total construction costs and the component's ability to improve it's performance on the measure which looks at the "percentage of total construction costs that were spent on change orders". In addition, it will jeopardize the component's ability to provide the required level of training as outlined in 2AAC 07.300 – Employee Training and 23 CFR 172.13 – Administration of Engineering and Design Related Service Contracts, Monitoring the Contract Work.

Program:	Dollar	Fund
SE Region Construction & CIP	Amount(s):	Source(s):
	(\$10,600)	General Fund

Impact Title:
Reduction in Travel

Impact Analysis:

Training and administrative travel are not allowed as direct charges to federal construction projects. Manager's travel to public meetings and professional engineering training and conferences will be discontinued. Engineers will not have an opportunity to learn first hand the latest developments, theories, and techniques that could be implemented to provide safe, reliable and cost effective highways and airports.

Program:	Dollar	Fund
Northern Region Facilities	Amount(s):	Source(s):
	(\$10,000)	General Fund

Impact Title:

Administrative Travel Reduction

Impact Analysis:

Facility maintenance is becoming more complex. Administrative travel to attend conferences and training to keep technicians current will be reduced by 80% for the Interior District.

Program:	Dollar Amount(s):	Fund Source(s):
Southeast Region Facilities	(\$79,500)	General Fund

Impact Title:

Eliminate administrative support.

Impact Analysis:

Eliminate two administrative positions will result in a slowing of vendor payments and administering contracts. These duties will need to be absorbed by the remaining professional positions reducing the time spent on actual repairs and maintenance work. Engineering services and contract management would be hindered.

Program:	Dollar Amount(s):	Fund Source(s):
Central Region State Equipment Fleet	(\$240,000)	Highway Equipment Working Capital Fund (HWCF)

Impact Title:

Layoff SEF Mechanics

Impact Analysis:

We will layoff 4 State Equipment Fleet mechanics in the following locations:

- 2 in Anchorage
- 1 in Palmer
- 1 in Soldotna

As a result of turning in SEF equipment related to maintenance station closures and overall staff reduction, less equipment maintenance will be required.

Program:	Dollar Amount(s):	Fund Source(s):
Northern Region State Equipment Fleet	(\$280,000)	Highway Equipment Working Capital Fund (HWCF)

Impact Title:

Layoff SEF Mechanics

Impact Analysis:

We will layoff 4 State Equipment Fleet mechanics in the following locations:

3 in Fairbanks

1 in Nome

As a result of turning in SEF equipment related to maintenance station closures and overall staff reduction, less equipment maintenance will be required.

Program:	Dollar Amount(s):	Fund Source(s):
Measurement Standards & Commercial Vehicle Enforcement	(\$108,700)	General Fund

Impact Title:

Eliminate Seasonal Commercial Vehicle Enforcement Officers and Administrative Travel

Impact Analysis:

The division will have to eliminate six seasonal, part-time Commercial Vehicle Enforcement Officers that help operate the 10 fixed weigh stations throughout Alaska during the summer trucking season. This will prevent the department from keeping the Tok border weigh station open 24 hours a day, 7 days a week. The result will be more trucks operating in an illegal, overweight, and unsafe manner, thereby decreasing overall roadway safety and increasing roadway degradation.

The division will also decrease administrative travel.

Impacts on Performance Measure:

The division will no longer be able to achieve inspection thresholds established in legislative performance measures.

Impact on Statutory Responsibilities:

Failure to meet our established threshold constitutes failure to meet program objectives under the USDOT, Motor Carrier Safety Assistance Program.

Program:	Dollar Amount(s):	Fund Source(s):
Central Region Highways and Aviation	(\$13,000)	General Fund

Impact Title:

Close Canyon Creek Vault Toilets during the winter

Impact Analysis:

The three new vault toilets and dumpster facilities at Canyon Creek on the Seward Highway near the Hope cutoff are used by thousands of travelers, year round. This is a major stop for people traveling between the Kenai Peninsula and Anchorage. In the winter, the school buses carrying high school athletes to games also use these facilities. Closing these vault toilets during the winter will inconvenience the traveling public.

Program:	Dollar Amount(s):	Fund Source(s):
Central Region Highways and Aviation	(\$172,000)	General Fund

Impact Title:

Reduce Administrative Positions and Reduce Administrative Travel

Impact Analysis:

The Assistant Superintendent in Anchorage District will be laid off and one of two Airport Security Officer positions in Maintenance and Operations Administration, which has recently become vacant will not be filled. In addition, region wide administrative travel will also be reduced by 50% (\$4,500). Elimination of the Assistant Superintendent will significantly slow down the processing of administrative paperwork and affect our ability to respond to public inquiries and complaints. Leaving the Airport Security Officer position vacant will place additional burden on already overworked staff attempting to respond to the increased security and safety measures at airports resulting from September 11.

Program:	Dollar Amount(s):	Fund Source(s):
Northern Region Highways & Aviation	(\$65,700)	General Fund

Impact Title:

Administrative Travel Reduction

Impact Analysis:

Reduce administrative travel for training, conferences, and meetings (\$40,700) and eliminate lease of the Regional Aviation Manager's aircraft (\$25,000). The impact will be felt in reduced service to remote airports and would necessitate more use of charters and commercial aircraft. Response time to repair lighting systems will increase. This reduction will eliminate one-on-one contact and training of remote area employees. The total travel budget for administrative functions is \$85,000. It is reduced by 77% with this cut.

Program:	Amount(s):	Source(s):
Southeast Highways & Aviation	(\$111,900)	General Fund

Impact Title:

Reduce Administrative Support Staff and Travel.

Impact Analysis:

One administrative position in Haines and one in Juneau will be eliminated. The station foremen will be required to take on additional administrative duties, taking time away from highway and airport maintenance. There will be delays in processing time sheets, invoices, vendor payments, and other administrative actions.

A travel reduction of \$20,000 will result in training programs requiring travel to be discontinued or curtailed including training in maintenance of new signal equipment. Electrical problems in communities outside of Juneau will receive delayed response time.

University of Alaska
Impact Statement in Response to
FY2003 Final Legislative Budget
Date: May 29, 2002

Prepared by: Pat Pitney

The budget reduces the University of Alaska's general fund budget by \$8,989,700 from the Governor's amended budget request.

Program:	Dollar Amount(s):	Fund Source(s):
Non-Discretionary Cost Increases	<u>(\$ 1,516,400)</u>	General Fund
Maintaining Solid Foundation	(\$ 1,516,400)	General Fund
Keeping Pace with Technology	(\$ 774,000)	General Fund
Attracting and Retaining Alaska's Students	(\$ 1,750,000)	General Fund
Meeting Alaska's Employment Needs	(\$ 3,367,000)	General Fund
Preparing for Alaska's Economic Success	<u>(\$ 1,582,300)</u>	General Fund
New Initiatives Responding to State Needs	(\$ 7,473,300)	General Fund
Total Program Impact	(\$8,989,700)	General Fund

Impact Title: Short fund the Board of Regents' FY03 budget request

Impact Analysis:

Of the \$17 million increment in the Board of Regents' UA FY03 request, \$9.5 million is required for contract and policy salary increases and non-discretionary fixed costs. The final budget represents \$1,516,400 less than the amount needed to cover the extraordinary cost increases above the cost of normal inflation. These costs are not optional; they represent the normal increases involved with maintaining current services.

Without additional new state funding for the University, the University can maintain the status quo but will be unable to accommodate the planned additional academic programming. This includes lack of funding for new programs to recruit and retain additional students, meet Alaska's employment needs and prepare for Alaska's economic success; such as programming in health, applied health research, project management, natural resources, and engineering.

Additionally, in the legislature's increase of \$8 million in state funding, \$2.3 million is being provided with a one-time state-funding source. To maintain the current service level this one-time source must be applied to UA's FY03 base.